

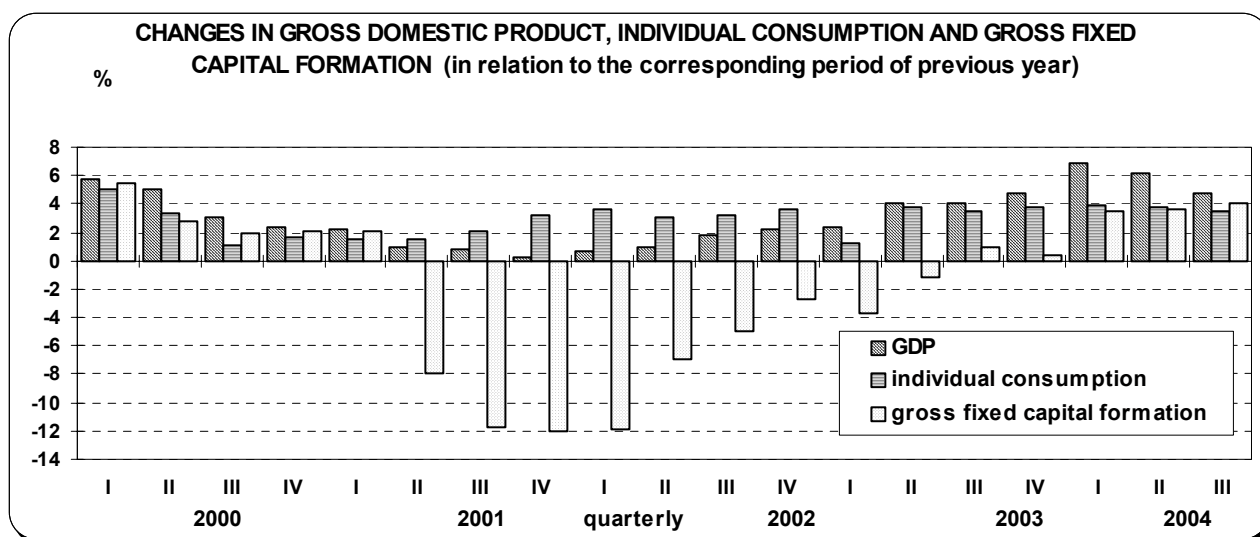
## I. THE ECONOMY OF POLAND IN THE FIRST THREE QUARTERS OF 2004

### Introduction

The rate of economic growth in the period from January to September of 2004 was higher than in the corresponding period of 2003, although key sectors of the economy experienced a slowdown in the third quarter, relative to the first half of the year. It was possible to observe symptoms of gradual improvement of the difficult situation on the labour market. Following a marked year-on-year acceleration of consumer prices from March, in September the growth of prices was slightly smaller than in the previous month.

According to preliminary estimates, in the third quarter of 2004, the gross domestic product rose by 4.8% in annual terms (as compared to 6.9% in the first quarter and 6.1% in the second quarter).

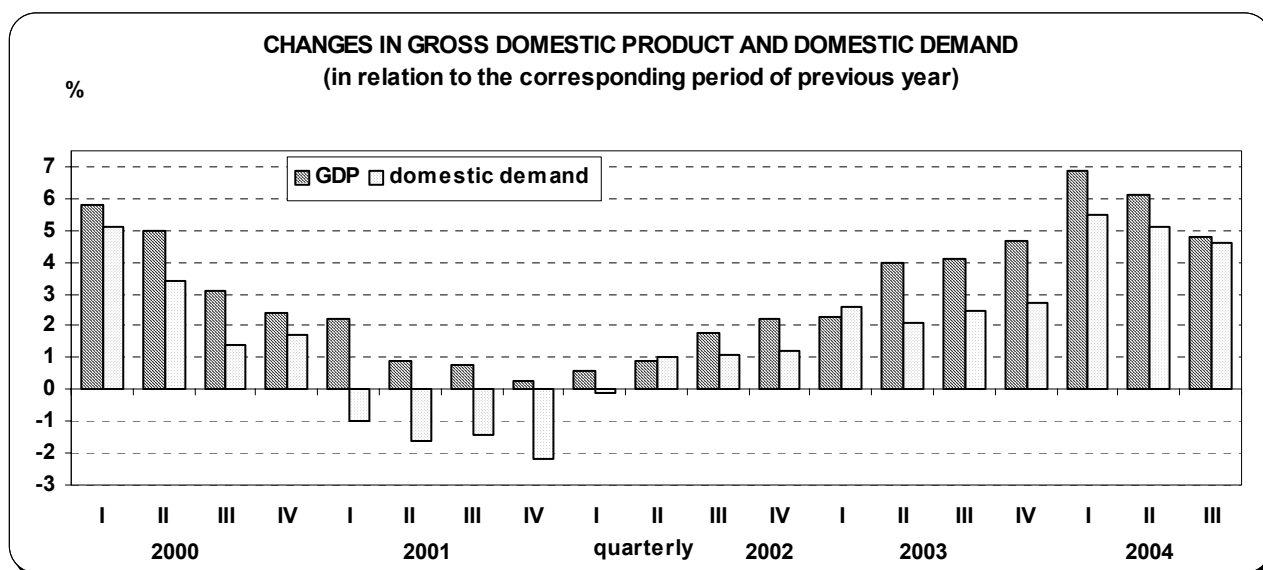
The increase in domestic demand amounted to 4.6%. Total consumption expenditure increased by 2.9%, of which individual consumption expenditure demonstrated an increase by 3.5%. Gross capital formation was higher by 12.6% than in 2003, while a 4.1% increase in gross fixed capital formation was only slightly higher than in the previous quarters. Increase in stocks remained, however, substantial. At the same time, gradual abatement of the positive-for-more-than-a-year effect of foreign trade balance on the rate of economic growth was observed.



In the third quarter of 2004, gross value added generated in the national economy went up by 4.5% in annual terms (as compared to 6.4% in the first quarter and 5.6% in the second quarter). The increase in gross value added in industry reached 7.4% (against 12.7% in the second quarter) and 4.9% in the market services sector (against 5.1%,

respectively). A drop (by 3.2%) in gross value added was observed in construction.

The growth of the gross domestic product stood, in the period from January to September of 2004 at 5.9%, in annual terms (compared to 3.5% in the previous year, respectively), while the increase in gross value added amounted to 5.5% (against 3.3%).



Sold production of industry increased year-on-year by 14.7% in the period from January to September of 2004, with the rate growth slowing down in subsequent quarters (to 9.2% in the third quarter). The decline in average employment amounted to 0.5%, as a result of which labour productivity in the industrial sector increased approx. 15% in that period. The rate of growth of output of goods considered to be the drivers of technological progress was much higher (above 43%) than in total industry. Among the 5 main industrial groupings, sales were growing the fastest in enterprises mainly producing the following goods:

- capital goods – approx. 40% (in particular manufacturing of motor vehicles, trailers and semi-trailers and machinery and equipment),
- durable consumer goods – approx. 23% (mainly manufacturing of domestic appliances),
- intermediate goods – approx. 17% (in particular manufacturing of other non-metallic mineral products and basic metals).

In the first nine months of 2004 good sales results were also recorded in market services, although retail trade and transport – just as industry – experienced a slowdown of the growth rate in the third quarter. The volume of retail sales increased by 9.4% year-on-year in the first nine months of 2004 (with 12.4% growth in the first six months of the year and 4.0% in the third quarter). Sales of transport services were higher than in the period from January

to September of 2003 by 7.0% (with more than 8% growth in the first half and 4.0% in the third quarter). However, the growth of sales of communication services remained stable, amounting to 9% year-on-year for the first nine months (with more than 10% growth in the third quarter).

The situation remained unfavourable in construction production – its year-on-year decline amounted to 4.1% after nine months of 2004, as compared with 3.2% after six months. Sales of work with an investment character works declined by 6.2%, while restoration works increased by 1.8%.

In agriculture, 2004's production of most agricultural crops were higher than the low figures recorded in 2003, which was mainly due to much bigger yield, with the crop area by 3.6% higher. However, a declining tendency of the stock of pigs and cattle persisted in animal production.

After three quarters of the 2004, the dynamics of foreign trade turnover was significantly higher than in the previous year. Still higher a growth rate on the exports side was observed. The negative balance of trade in PLN and in USD was higher than in the preceding year, while as regards trade in EUR – it improved. With respect to the structure of imports, the share of imports designated for intermediate consumption increased, a slight growth was observed in the share of imports designated for investment goods, while the share of imports designated for consumption purposes went down.

In the period from January to September of 2004, the surveyed enterprises generated significantly more favorable financial results and basic financial and economic indicators than in the preceding year. The prevailing high increase in gross and net financial results was brought about by faster increase in revenues, than in the costs of obtaining revenues, by significant drop in the negative result on financial operations and by relatively lower encumbrances of gross financial result. The share of exports sale in sales revenues of products, goods and materials increased. The share of consumption of materials in the cost structure by type went up, while the share of other costs components declined.

The increase in total outlays (in enterprises employing more than 49 persons, in constant prices) amounted to approx. 9%, against the rise by 1.2% in 2003, accordingly and by 8.7% in the second half of 2004. The increase reported was first and foremost attributable to an increase in total outlays observed in manufacturing units, especially those manufacturing food products and beverages, other non-metallic mineral products, chemicals and chemical products, as well as rubber and plastic products. A substantial increase was observed in the number of investments newly started, however, their total estimated value was slightly lower than in 2003.

Symptoms indicating improvement on the labour market were observed in subsequent periods of 2004.

In the first nine months of 2004, average employment in the enterprise sector was lower than in 2003 (by 1.0%), with the scale of its decline in subsequent quarters much smaller than in corresponding periods of 2003. Employment increased in some sections associated with the service sector, such as real estate, renting and business activities, trade and repair, and hotels and restaurants. In the first nine months of 2004, the level of employment in manufacturing was slightly lower than in 2003 (with a small year-on-year increase recorded since April), while a sizeable decline – above 11% - persisted in the construction.

The number of registered unemployed has been declining for several months, falling below

3 mn in September for the first time in 3 years and amounting to 2970.9 thous. persons. The registered unemployment rate declined to 18.9% - 0.5 pt less than in 2003 and 0.2 pt less than in August of 2004.

Consumer prices increased by 3.3% compared to December of 2003 (as compared with 0.6% growth in 2003). The dynamics of prices in the first nine months of 2004 was much faster than in the corresponding period of the previous year (a 3.2% increase, against a 0.6%). Year-on-year inflation reached 4.4% in September (which was largely due to increases in prices of food and transport-related goods and services) and was lower than in July and August of 2004 (4.6%).

The dynamics of producer prices in industry was much faster than observed in the previous year – in the period from January to September these prices increased by 6.6%, while producer prices in the construction rose by 4.4%. The year-on-year increase in producer prices in industry observed in September was lower than that recorded in August (7.9%, against 8.5%), while it was higher in the construction sector (4.1%, against 3.7%).

In the first three quarters of 2004, average prices of basic animal origin products on the agricultural market were at levels much higher than observed in 2003. Prices of animals (particularly piglets) were also much higher than in 2003, as were the prices of most plant origin products (excluding the procurement prices of potatoes). A year-on-year increase in animal food products persisted in September of 2004, while prices of plant products were lower than in 2003.

The year-on-year growth of average real gross wages and salaries in the enterprise sector in the period from January to September of 2004 was slightly higher than in 2003 (1.7%, as compared with 1.6%), with a decline in real wages in the third quarter (by 0.5%) and an increase in the first and second quarter – by 3.8% and 1.6%, respectively.

After nine months of 2004, the budget deficit amounted to 28840.9 mn PLN, which constituted 63.7% of the amount assumed in the budget law for the whole year. Execution of the revenue side of the budget continued to be more advanced than the expenditure side (73.2% as compared with 71.0%).

## Population

In September 30 of 2004, the population of Poland totalled around 38187 thous. persons, i.e. more than 15 thous. fewer than in the preceding year. Compared to the end of December of the previous year, population declined by 4.0 thous. (in the corresponding period of the previous year – by 16.4 thous.). In the period from January to September, a slight increase was observed in the number of live births and a decline in the number of deaths in annual terms, with the negative balance of foreign migration of similar size.

In the period of the first three quarters of 2004, almost 273 thous. live births were registered, i.e. by almost 5 thous. over the corresponding period of the preceding year. The birth rate increased by 0.2 pt and equalled 9.5‰.

In the period from January to September, more than 270 thous. persons died, i.e. more than 3 thous. fewer than in the previous year. The death rate declined by 0.1 pt - up to 9.4‰.

Similarly as 2003, the number of infant death declined slightly. There were registered 1.8 thous. deaths of children under the age of 1. The ratio of

infant deaths per 1000 live births declined from 7.0‰ in the previous year to 6.7‰.

In the period of the first three quarters of 2004, the difference between the number of births and deaths (the natural increase) was positive and amounted to almost 2.5 thous., while in the corresponding period of the previous year, a natural decrease of 5.6 thous. was recorded. It is estimated, that 1 person increased per each 10 thous. (in the previous year, a decline by 2 persons).

In the period from January to September of 2004, more than 154 thous. marriages were contracted, of which 75% were religious marriages. More than 37 thous. married couples were divorced (by 3 thous. more than in the previous year), while separation was declared in case of almost 3 thous. married couples. The marriage rate remained unchanged at 5.4‰, while the divorce rate increased slightly (by 0.1 pt) and reached 1.3‰.

## Labour Market

In the first three quarters of 2004, average paid employment in the enterprise sector was lower than in the previous year, with the scale of its decline in subsequent quarters of 2004 much lower than in corresponding periods of the previous year. September was the sixth month in a row, in which a year-on-year increase in employment in manufacturing took place. Since March of 2004, the number of registered unemployed persons has been declining and in September it fell below 3 mn persons, for the first time in three years. This has also resulted in a drop in the unemployment rate. In the first nine months of 2004, the number of people removed from unemployment rolls was much higher than that of newly registered unemployed persons. Meanwhile, fewer persons were participating in active labour market programmes than in the previous year.

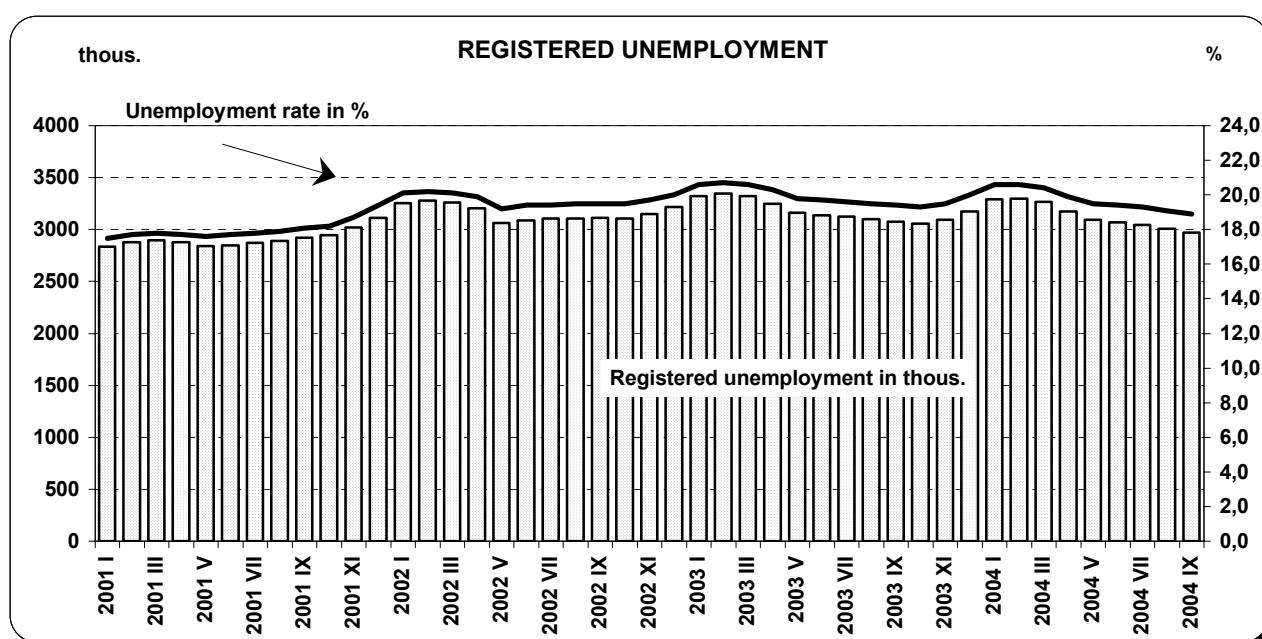
Average paid employment in the enterprise sector in the period of the three quarters of 2004

amounted to 4674.9 thous. persons and was by 1.0% lower than in the previous year (against by 3.9% decline in the preceding year, respectively). The year-on-year drop in employment was smaller than in the previous year in transport, storage and communication (2.2%, against 3.4%), mining and quarrying (2.4%, against 6.1%), electricity, gas and water supply (2.9%, against 3.5%) and construction (11.2%, against 16.3%). Employment increased in trade and repairs (by 1.0%) and in hotels and restaurants (by 0.2%), while in 2003 a decline was recorded in those sections. Similarly as in previous years, there was an increase in employment in real estate, renting and business activities (by 1.5%). The level of employment in manufacturing was slightly lower (by 0.1%), with an increase recorded in several sections of industry, most notably those, in which a high increase of industrial output took place.



The number of registered unemployed persons amounted to 2970.9 thous. in September of 2004 and year-on-year declined by 102.5 thous. (in 2003 a 39.3 thous. decline, respectively). Unemployment decreased in majority of voivodships, with the largest decline taking place in opolskie (by 6.0%), dolnośląskie and lubuskie (both 5.3%) and the smallest one – in mazowieckie (by 0.8%). A growth in unemployment took place in świętokrzyskie (by 0.8%).

The unemployment rate was at the level 18.9% at the end of September of 2004, i.e. by 0.5 pt lower than in the previous year. The highest unemployment rate was still noted in warmińsko-mazurskie (28.7%), zachodniopomorskie (26.8%) and lubuskie (26.0%) voivodships, while the lowest ones – in małopolskie (14.7%), mazowieckie (15.0%) and podlaskie (15.6%) voivodships.



The number of newly registered unemployed persons in the period from January to September of 2004 totalled 1957.0 thous. and was by 57.3 thous higher than in the previous year. 2161.8 thous. unemployed persons were removed from unemployment rolls (118.5 thous. more than in the corresponding period of 2003). The main cause of de-registering was receiving of jobs offered by labour offices, which was the case for 1072.2 thous. unemployed, who accounted for 49.6% of total unemployed persons removed from rolls (1001.8 thous., i.e. 49.0% in the preceding year, respectively). There were 912.6 thous. persons who began non-subsidised work (including seasonal) offered by labour offices (against 799.8 thous. in the

first nine months of the previous year), while 159.6 thous. persons (against 202.0 thous. in the previous year) undertook subsidised jobs (including intervention works and public works). A right to retirement pay or pension was acquired by 25.4 thous. persons and to pre-retirement allowances – by 5.2 thous. persons (28.5 thous. and 3.2 thous, respectively, in the preceding year). In connection with starting a training or internship with the employers, 181.3 thous. persons were removed from unemployment rolls (192.6 thous. in the period of the first three quarters of 2003).

The number of job offers submitted to labour offices was higher than in the first nine months of

2003 (624.5 thous., against 585.8 thous., respectively).

At the end of September of 2004, there were 2564.9 thous. unemployed persons who were not entitled to unemployment benefits, constituting 86.3% of the total number (85.5% in the preceding year).

At the end of September of 2004, the number of long-term unemployed persons declined year-on-year, reaching 1582.9 thous. persons (i.e. a drop by 70.8 thous.) and constituting 53.3% of total unemployed persons (53.8% in the previous year).

Fewer people participated in active labour market programmes than in 2003. In the first nine months of 2004, 76.9 thous. persons were assigned to training programmes, 80.5 thous. persons to intervention works and 58.3 thous. to public works. At the end of September of 2004, there were 17.6 thous. persons undergoing training, 33.1 thous. employed in intervention works and 23.1 thous. carrying out public works.

## Agriculture

According to a preliminary estimate conducted at the turn of August and September of 2004, this year's main crop production and yields were the following:

Specification	Production			Yields		
	in mn tons	2003=100	1996-2000 <sup>a)</sup> = =100	from 1 ha in dt	2003=100	1996-2000 <sup>a)</sup> = =100
Total cereals .....	29.0	124.1	115.3	34.6	120.6	121.0
of which basic cereals and cereal mixes .....	26.5	123.6	108.0	33.5	121.4	118.0
wheat .....	9.5	121.1	108.5	41.2	121.2	121.2
rye .....	4.2	133.2	81.9	27.3	127.6	120.3
barley .....	3.5	124.1	102.7	34.6	124.0	115.7
oat .....	1.4	120.3	98.9	27.4	122.3	112.3
triticale .....	3.6	128.9	180.8	34.3	120.4	113.6
cereal mixes .....	4.3	117.3	111.9	29.0	116.9	107.4
Rape and agrimony .....	1.5	188.2	176.3	27.7	148.9	133.8
Potatoes .....	13.7	100.1	58.2	193	107.8	105.5
Sugar beet .....	12.0	102.2	80.4	410	100.0	108.8
Field vegetables .....	4.8	107.7	89.0	x	x	x
Tree fruit .....	2.9	101.5	136.7	x	x	x
Berry fruit .....	0.5	116.4	117.5	x	x	x

<sup>a)</sup> Annual average.

Majority of the major production 2004 are higher than the very low figures recorded in the previous year. The production size was predominantly affected by much bigger yield of respective crops than 2003, which was mainly due to favourable agro-meteorological conditions. In addition, the production size was also affected by

the increase in the sown area, which was 396 thous. ha (3.6%) higher than 2003 and amounted to 11.3 mn ha.

The use of mineral and chemical fertilizers under 2004 production (according to preliminary data) amounted to 1622.1 thous. tons (7.3% more than in the 2002-2003 farming year) and per 1 ha of

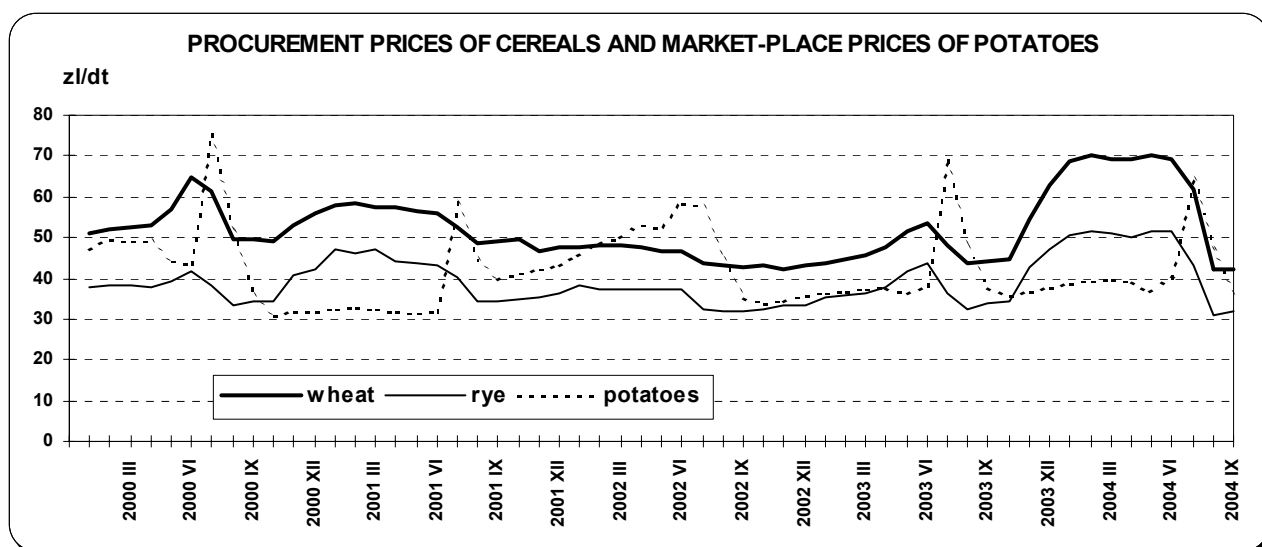
agriculture land – 99.3 kg (against 93.6 kg). The use of nitrogenous fertilisers amounted to 54.8 kg per 1 ha of agriculture land (6.4% more than in the previous year), potassic fertilisers – 24.8 kg (a 6.1% increase) and phosphatic fertilisers – 19.7 kg (5.4% more). The use of lime fertilisers amounted to 1525.9 thous. t and was lower (by 5.8%) than in 2003, which per 1 ha of agriculture land implies a decline in fertilising from 94.6 kg to 93.5 kg.

On the agricultural market in the first nine months of 2004, average prices of majority of products of animal origin were at levels much higher than observed in 2003. Prices of most products of plant origin were also higher than those observed in the previous year (with the exception of procurement potato prices). In September of 2004, the year-on-year increase in products of animal origin persisted. However, prices of plant products were lower than in the preceding year.

In the period from January to September 2004, the price relations of means a production for agriculture to procurement prices of agricultural products were usually more favourable than in 2003. With prices of most basic agricultural products sold

staying at a high level, farmers could cover the costs associated with the purchase of means of production by selling less cereal in the first, second and third quarter – less pigs and cattle for slaughter than in the preceding year.

According to reported data<sup>1</sup>, 2686.7 thous. tons of basic crops were procured from 2004 production in the period from July to September (including cereal mixes, excluding seed grain), i.e. 9.7% less than in the previous year. Procurement of wheat amounted to 1924.4 thous. tons in that period, while procurement of rye amounted to 387.1 thous. tons, 16.8% and 8.3% less than 2003, respectively. In September of 2004, procurement of wheat amounted to 1123.4 thous. tons and was 17.9% higher than in the previous year, with a 12.2% increase in procurement of wheat and a 33.2% in that of rye. Following a seasonal decline in prices of cereal, usually observed during the harvest period, prices of wheat increased by 0.1% in September, while those of rye rose by 3.2%. The price of 1 dt of wheat was 42.38 PLN, i.e. 4.2% less than in September of 2003, while 1dt of rye cost 31.96 PLN, i.e. 5.1% less.



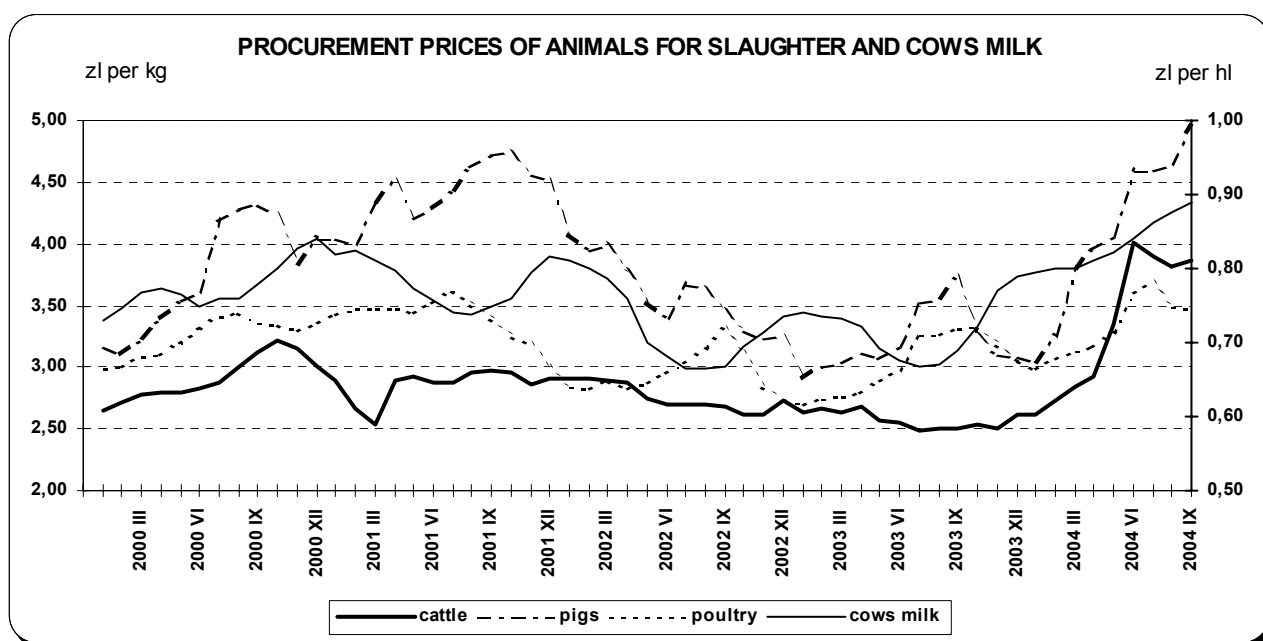
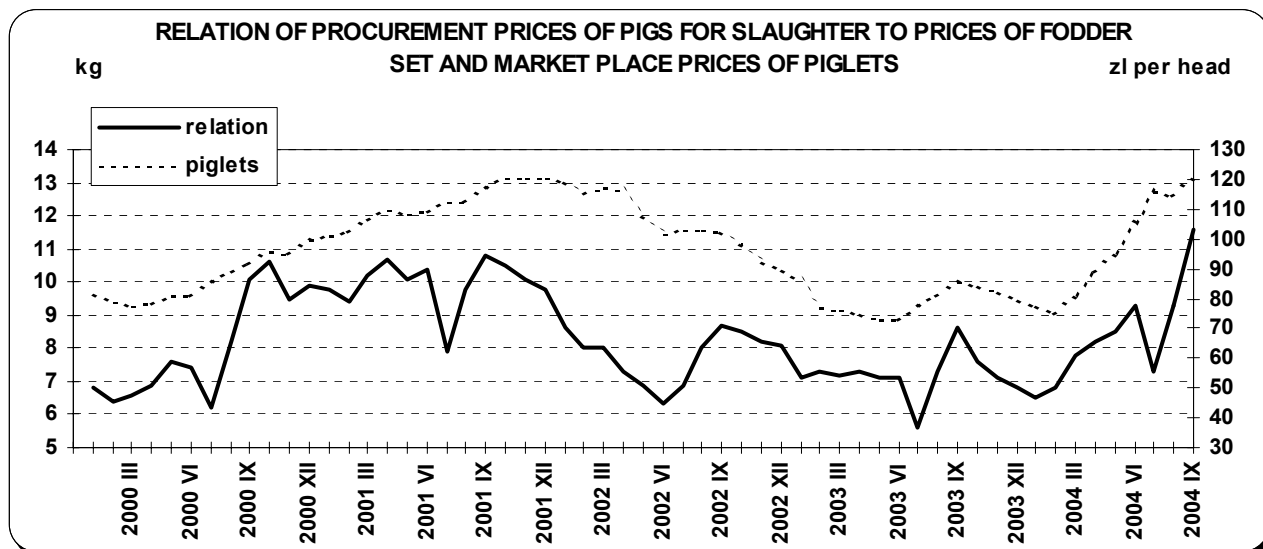
Potato production, estimated at 13.7 mn tons in 2004, will be at a similar level to 2003's, thanks to bigger yield, but due to the systematic reduction in the crop area, they will be some 41.8% lower than

the average for the years 1996-2000. Prices of potatoes, of which 417.1 thous. tons were procured in the third quarter of 2004, i.e. 13.7% less than in the previous year, have shown a declining tendency



in that period and were lower than in the preceding year. In September, procurement prices of potatoes declined to 19.05 PLN/dt and were 25.2% lower than in the previous month and 15.2% lower than in the

previous year. The market-place price of 1 dt of edible potatoes was 36.37 PLN, i.e. 4.2% less than in September of 2003.



Situation in animal production from the beginning of 2004 has primarily been determined by the tendency of reduction in pigs, which began in 2003, continued decline in breeding of cattle and a further increase in poultry production.

The increase in procurement prices of pigs for slaughter, observed since February of 2004, initially was mainly a result of intervention activities of the Agricultural Market Agency. Since the second

quarter, the further increase in prices can be attributed to the declining supply. The price of 1 kg of pigs for slaughter in September was 4.95 PLN, i.e. 32.5% higher than in the previous year. In market-place trade, the increase in prices of pigs observed since March of 2004, has persisted and the price of 1 kg of pigs for slaughter was 4.57 PLN, i.e. 29.1% more than in 2003. Average prices over the first three quarters of 2004 for 1 kg of pigs for

slaughter were 4.01 PLN in procurement and 3.85 PLN on market-places, i.e. 26.3% and 22.2% more than in the corresponding period of 2003, respectively. The relation of the procurement price of 1 kg of pigs for slaughter to the price of rye in market-place trade increased from 6.6 in January to 13.0 in September (in the previous year it changed from 8.1 to 9.2), and to a fodder set – from 6.5 to 11.6 (against 7.1 and 8.6 in 2003). Rising profitability of breeding pigs for slaughter, noted from March, has led to an increase in prices of piglets, with their stock lower than in the previous year (at the end of July, the stock of piglets was 11.5% lower than in the previous year, while the stock mating of sows was 5.6% lower). As a result of the increase in prices of piglets, the number of sows mated has been gradually increasing since May of 2004. By September, the number of sows mated was 2.5% higher than in the previous year.

Prices of poultry for slaughter have shown a rising tendency in the period from February to July, while in the following two months, with supply at very high levels, prices declined. As a result, in September of 2004, the average price of 1kg of poultry for slaughter was 3.48 PLN and was 4.9% higher than in the preceding year. Over the first three quarters of 2004, the average price for 1 kg of poultry for slaughter was 3.26 PLN, i.e. 10.2% more than in the previous year.

Prices of cattle for slaughter in the first half of 2004 were also rising. In the second quarter, with lower procurement (by 10.3%) than in the preceding

year and increasing external demand for beef, a significant acceleration in the growth of prices was observed. In the third quarter, with procurement 15.9% lower than in the corresponding period of the previous year and following a two-month decline in prices, procurement prices of cattle for slaughter increased again in September – to 3.86 PLN/kg, i.e. by 1.5% and were 54.5% higher than in the previous year. In market-place trade, prices of cattle for slaughter reached 3.56 PLN/kg and were 43.0% higher in September of last year. The average procurement price of cattle for slaughter over the first nine months of 2004 was 3.20 PLN/kg, while the average market-place price was 3.02 PLN/kg, i.e. 27.5% and 17.5% more than in the corresponding period of the previous year, respectively.

With the decline in the number of cows continuing, the supply of milk in procurement in the period from January to September of 2004 (5890.0 mn l) was 5.5% higher than in the previous year. Despite high procurement, the growing tendency in milk prices observed since August of 2003 persisted, even in the summer season. In September, with the seasonal decline in supply, 651.1 mn l of milk were purchased in procurement (5.2% more than in the preceding year). The average price for 100 l of milk was 89.01 PLN (29.0% more than in the previous year). Over the first three quarters of 2004, the average price of milk in procurement was 84.09 PLN/100 l and was 19.9% higher than in the preceding year.

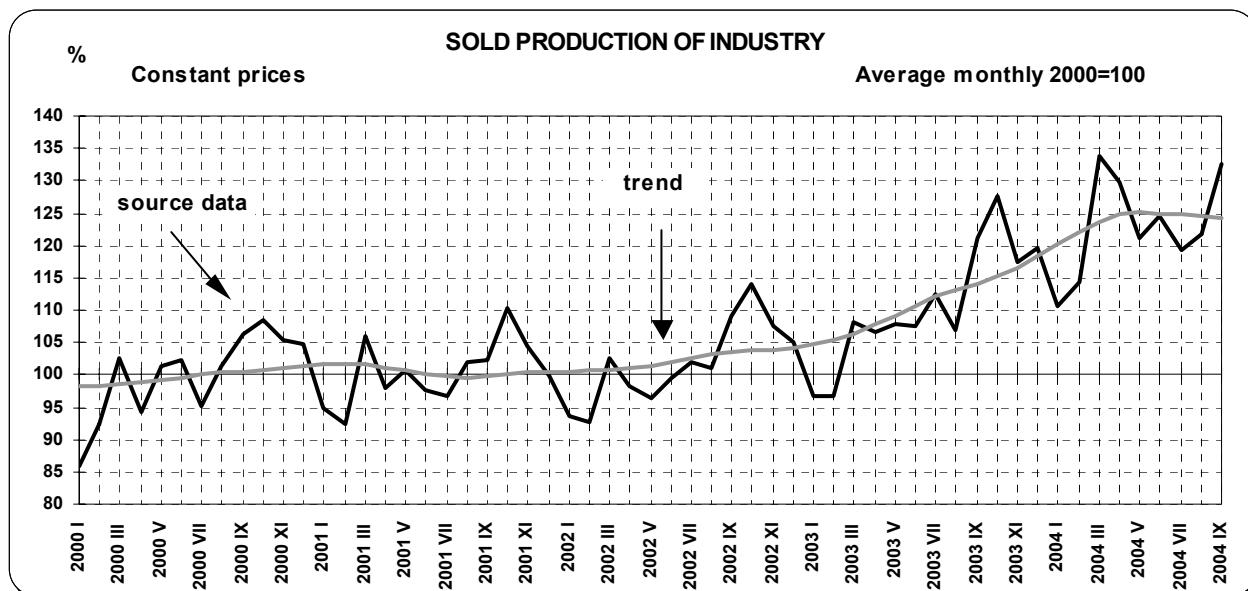
## Industry

In the period from January to September of 2004, sold production of industry was 14.7% higher than in the corresponding period of the previous year, with the year-on-year increase in production in the third quarter of 2004 lower than the very high growth in the previous quarters. Sales in manufacturing increased by 17.2%, in mining and quarrying by 3.1%, while in electricity, gas and water

supply a 1.3% decline in output was observed. Among the main groups of industry<sup>2</sup> sales increased the fastest in enterprises manufacturing capital goods (approx. 40%), which was mainly driven by sales of motor vehicles, trailers and semi-trailers, as well as machinery and equipment. Sales in enterprises producing mainly durable consumer goods also increased notably (by approx. 23%,

producing among others the household appliances) and intermediate goods (by approx. 17%, in particular manufacturing of other non-metallic products and metals). Production of enterprises

manufacturing mainly non-durable consumer goods increased by approx. 6%, while that of energy related – by approx. 3%.



High growth in labour efficiency was continued in the first nine months of 2004, as measured by sold production per one employee – by approx. 15%, with the average employment lower by 0.5%.

higher than in the previous year, while their share in the value of sold production of industrial enterprises employing more than 49 persons increased (in current prices) from 13.2% in the previous year to 15.5%.

Production of goods considered to be the drivers of technological development was about 43%

The dynamics (in constant prices) of sold production of industry in the enterprises were as follows:

Specification	2003				2004				
	I-III	IV-VI	VII-IX	X-XII	I-III	IV-VI	VII-IX	I-IX	IX
	corresponding period of the previous year=100								
<b>Industry</b> .....	<b>104.4</b>	<b>109.1</b>	<b>108.9</b>	<b>112.2</b>	<b>119.0</b>	<b>116.4</b>	<b>109.2</b>	<b>114.7</b>	<b>109.5</b>
mining and quarrying .....	95.7	93.0	99.8	96.7	100.2	112.1	98.3	103.1	97.5
manufacturing .....	104.9	111.1	110.5	114.6	123.5	119.2	110.0	117.2	110.3
electricity, gas and water supply .....	104.5	99.9	98.8	101.5	98.3	91.9	106.8	98.7	107.8
Of total industry by divisions:									
mining of coal and lignite; extraction of peat .....	97.6	88.0	96.0	100.1	99.4	116.1	102.5	105.3	98.0
manufacture of food products and beverages .....	100.9	109.3	105.5	105.9	111.2	104.8	102.0	105.8	102.1
manufacture of textiles .....	108.7	107.3	105.5	111.7	110.8	116.9	108.0	111.9	107.2
manufacture of coke, refined petroleum products .....	93.9	106.6	100.4	106.2	115.1	107.9	105.6	109.2	107.6
manufacture of chemicals and chemical products .....	114.1	110.4	107.1	114.2	110.8	111.4	107.4	109.8	105.2
manufacture of rubber and plastic products .....	116.0	123.4	115.0	126.5	129.9	122.1	108.7	119.3	106.5
manufacture of other non-metallic mineral products .....	96.5	101.3	110.7	125.4	138.8	119.9	100.4	115.9	98.6
manufacture of basic metals .....	100.3	102.0	107.4	106.7	127.8	126.2	113.5	122.1	113.6
manufacture of metal products .....	108.3	114.6	113.5	119.6	131.8	124.7	110.1	121.1	110.4
manufacture of machinery and equipment .....	107.3	109.0	126.3	121.7	127.1	126.8	107.5	119.4	108.4
manufacture of electrical machinery and apparatus .....	118.2	130.2	119.0	123.0	126.4	119.1	123.1	122.7	124.8
manufacture of motor vehicles, trailers and semi-trailers .....	107.3	130.9	134.3	148.9	173.0	171.6	146.1	163.1	144.6
electricity, gas, steam and hot water supply .....	104.8	100.2	98.8	101.9	98.2	91.6	108.2	98.9	109.2

Compared to the period from January to September of 2003, production increased significantly in, among others:

- basic metals – by 22.1% (including production of cast iron and steel and ferrous metals – by 28.2%)
- metal products – by 21.1% (in particular - treatment and coating of metals – by 50.1%, metal forging, pressing, stamping and roll forming – by 43.2%, manufacture of structural metal products, tanks, reservoirs and steam generators – by 21.4%)
- rubber and plastic products – by 19.3% (an increase in both groups),
- machinery and equipment – by 19.4% (including production of domestic appliances – by 43.1%, machinery for agriculture and forestry – by 39.2%, other machinery of general use – by 22.1%)
- manufacture of other non-metallic mineral products – by 15.9% (growth in all groups, including cement, lime and gypsum – by 20.8%, production of ceramic tiles – by 34.5%, other non-metallic products n.e.c. – by 37.4%)

Production of food and beverages increased by 5.8%, with an increase taking place in majority of the groups in this division (with the exception of production of beverages and of oils and fats of plant

and animal origin), the highest one – in processing and preserving of fish and fish products – by 38.0%, manufacture of prepared animal feeds – by 17.2%, manufacture of dairy products – by 10.5%, processing of fruit and vegetables – by 10.3%.

Compared to the January-September period of 2003, a decline was recorded in production of, among others, apparel and furriery – by 6.8%, office equipment and computers – by 6.4% and electricity, gas, steam and hot water supply – by 1.1%.

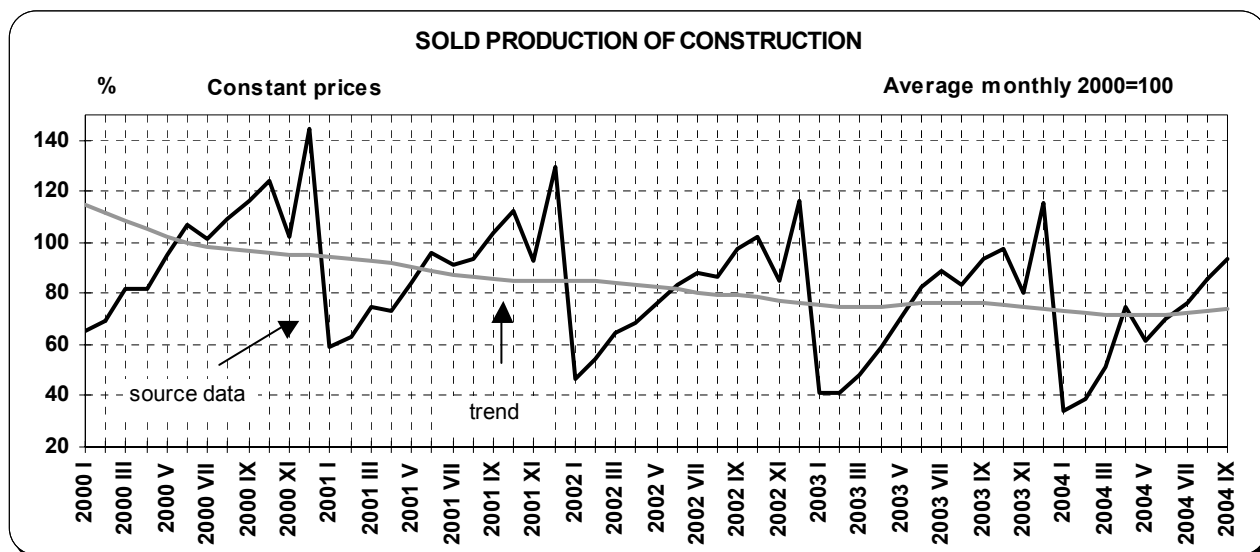
Out of the 245 industrial products and groups of products observed in the January-September period of 2004, a significant year-on-year increase was seen in, among others, manufacture of means of transport (including trucks and road tractors, freight railroad cars, public transport vehicles, general purpose motor vehicles), automatic washing machines, gas ovens, refrigerators and freezers, unleaded petrol, pesticides, steel pipes, plywood, slaughter products included in cattle and calves, sugar.

## Construction

In the January-September period of 2004, construction and assembly production was 4.1% lower than in the previous year, as compared with a 3.2% decline in the first half of 2004. The level of investment works was lower than in the corresponding period of the previous year by 6.2%, while its share in total construction and assembly

production declined by 1.6 pt to 72.4%. Sales of repair works increased by 1.8% in that period.

The decline in construction and assembly activity was observed in all groups of construction enterprises, excluding those performing building completion (a 23.0% increase).



The dynamics (in constant prices) of construction and assembly production in construction enterprises employing more than 9 persons were as follows:

Specification	2003				2004			
	I-III	I-VI	I-IX	I-XII	I-III	I-VI	I-IX	IX
	corresponding period of the previous year=100							
<b>Total</b> .....	<b>76.9</b>	<b>86.0</b>	<b>91.3</b>	<b>94.1</b>	<b>95.7</b>	<b>96.8</b>	<b>95.9</b>	<b>100.1</b>
of which construction activities:								
investment works .....	77.1	87.7	93.2	95.6	95.0	95.6	93.8	98.9
repair works .....	76.3	81.6	86.3	90.0	97.5	100.2	101.8	103.4
Of which - groups of enterprises:								
site preparation .....	207.7	217.2	233.9	156.4	79.1	85.6	71.2	75.7
building constructions; civil engineering .....	76.4	85.2	90.5	94.6	94.1	97.0	96.6	101.7
building installation .....	77.2	84.8	88.9	86.0	98.9	94.2	90.0	89.8
building completion .....	69.5	127.0	136.5	136.5	185.8	112.8	123.0	116.5

## Dwellings

According to preliminary data<sup>3</sup>, in the first three quarters of 2004, 71458 dwellings were completed, in comparison to 124459 in the previous year<sup>4</sup>, of which in: private construction – 43670 dwellings (as compared with 92956), dwellings for sale or rent – 16214 (4.2% fewer), cooperative construction – 6447 (20.9% fewer), public building society construction – 3752 (11.3% fewer), municipal – 1012 (29.0% fewer) and company construction – 363 (against 762).

The average usable floor space of 1 dwelling completed in the January-September of 2004 was

equal to 109.1 m<sup>2</sup> and was 8.6 m<sup>2</sup> lower than in the corresponding period of the previous year.

In the first nine months of 2004, permits were issued for construction of 84537 dwellings, i.e. 34.3% more than in 2003, of which in individual construction – 50053 dwellings (12.0% more), in construction for sale or rent – 21425 (against 9090), cooperative – 6433 (against 3723), public building society – 3993 (4.2% more), municipal – 2171 (against with 1357) and company – 462 (against 269).

In the first three quarters of 2004, construction of 79835 dwellings was started (27.4% more than in 2003), of which in individual construction – 51788 (19.0% more, respectively), dwellings for sale or rent – 18233 (by 57.4%), cooperative – 5416 (by 37.5%). In municipal construction, 1348 dwellings were started (against 516 in the corresponding period of the previous year) and in company construction –

392 (against 165). The number of public building society dwellings which construction began was 9.2% lower than in the corresponding period of the previous year and amounted to 2658.

It is estimated, that at the end of September of 2004, 626.3 thous. dwellings were under construction, i.e. 1.6% fewer than in the previous year.

## **Domestic Market**

In the first nine months of 2004, retail sales (in constant prices) carried out by trade and non-trade enterprises (employing more than 9 persons) was 9.4% higher than in 2003, with the increase in the third quarter much slower than that observed in the first and second quarter. The highest increase in the volume of sales took place in March and April and was associated with, among other, purchases made prior to Poland's accession to EU. In the period from January-September of 2004, a higher than average increase in the volume of sales was observed in enterprises selling solid, liquid and gaseous fuels, motor vehicles, motorcycles and parts, as well as specialized stores distributing foodstuffs, alcoholic beverages and tobacco products. The share of sales conducted by these three groups of enterprises in total retail sales amounted to 37.3% and was by 1.6 pt higher than in

the previous year. A relatively small increase, meanwhile, was recorded in enterprises conducting sales in non-specialized stores with a predominance of foodstuffs, beverages and tobacco products, as a result of which their share in total retail sales declined by 0.4 pt (to 17.6%) as compared to the corresponding period of the previous year.

Wholesale turnover (in current prices) by trade enterprises (employing more than 9 persons) in the period of three quarters of the year was 15.6% higher than in 2003. Wholesale turnover by wholesale enterprises in that period was 15.4% higher than in the corresponding period of the previous year, with high increases recorded by enterprises dealing with distribution of non-agricultural intermediate products, waste and scrap, tobacco products, as well as machinery, equipment and other supplies.

## **Transport and Communications**

In the first three quarters of 2004, total sales of services<sup>5</sup> in transport units (employing more than 9 persons) in constant prices was 7.0% higher than in the corresponding period of 2003, with this increase amounting to more than 8% in the first half of the year and the growth rate slowing down to 4.0% in the third quarter. Among the groups with a high share in total sales of transport services, a significant increase was recorded in the period from

January to September in road transport – by 10.4%, in operations of transport agencies – by 28.5% and in air transport – by 24.9%, with a decline in road transport – by 5.8%.

In the period from January to September of 2004, the fleet of transport units of the public and private sector (employing more than 9 persons) transported a total of 234.6 mn tons of goods, i.e. 0.5% more than in the previous year. An increase

took place in all types of transport, with the exception of maritime transport.

The group with the largest share in total transport of goods, i.e. railway transport, transported 121.4 mn tons of goods in the period from January to September, i.e. 1.8% more than in the corresponding period of the previous year. An increase of 7.1% was recorded in domestic transport, while in international one, which accounts for 45.0% of all railway transport (in the preceding year this share was 48.0%), transportation of imported goods increased (by 16.0%), while those of exported and transit goods declined (by 14.0% and 24.0%, respectively).

In commercial road transport, 54.5 mn tons of goods were transported since the beginning of 2004, i.e. 2.6% more than in the corresponding period of 2003.

In the period of three quarters of 2004, the amount of oil and petroleum products pumped in pipeline transport increased by 4.1% year-on-year. Transport by inland waterways also increased (by 20.3%), while maritime transport declined (by 20.7%).

Commercial seaports loaded and unloaded 43.0 mn tons of goods from the beginning of 2004, i.e. 8.6% more than in the corresponding period of 2003. The highest increase was observed in handling of ores (by 21.4%), wood (by 7.2%), oil and petroleum products (by 31.3%), small articles of freight (by 17.3%) and goods from the "other mass freight" group (by 2.0%), while a decline took place

in – coal and coke (by 11.5%) and cereals (by 2.2%).

In the period from January to September of 2004, public means of transport (employing more than 9 persons) carried 787.1 mn passengers, i.e. 2.4% fewer than in the previous year. All types of public transportation recorded a decline, with the exception of air transport (a 21.4% increase to 3.7 mn persons). Railway transport carried 203.4 mn passengers (3.0% fewer than in the preceding year), road transport – 579.2 mn (a 2.3% decline), maritime transport – 0.6 mn (a 10.7% decline) and inland waterway transport – 0.2 mn (a 4.2% decline).

In the first three quarters of 2004, total sales of services of communications units (employing more than 9 persons), encompassing sales of postal, courier and telecommunications services, were 9.0% higher in constant prices than in first three quarters of 2003 (with a 10.2% increase). The growth rate of telecommunications services remained higher than that of postal and courier services.

In the period of nine months of 2004, the increase in the number of subscribers and users (in case of pre-paid services) of cellular telephone amounted to 3.8 mn, i.e. 59.3% more than in 2003.

At the end of the third quarter of 2004, the number of telephone main lines<sup>6</sup> in the public fixed line telephony amounted to 12.6 mn, i.e. 1.8% more than in 2003 and 2.2% more than at the end of 2003. As compared to December of the previous year, the number of telephone main lines in cities increased by 3.0% and in rural areas declined by 0.6%.

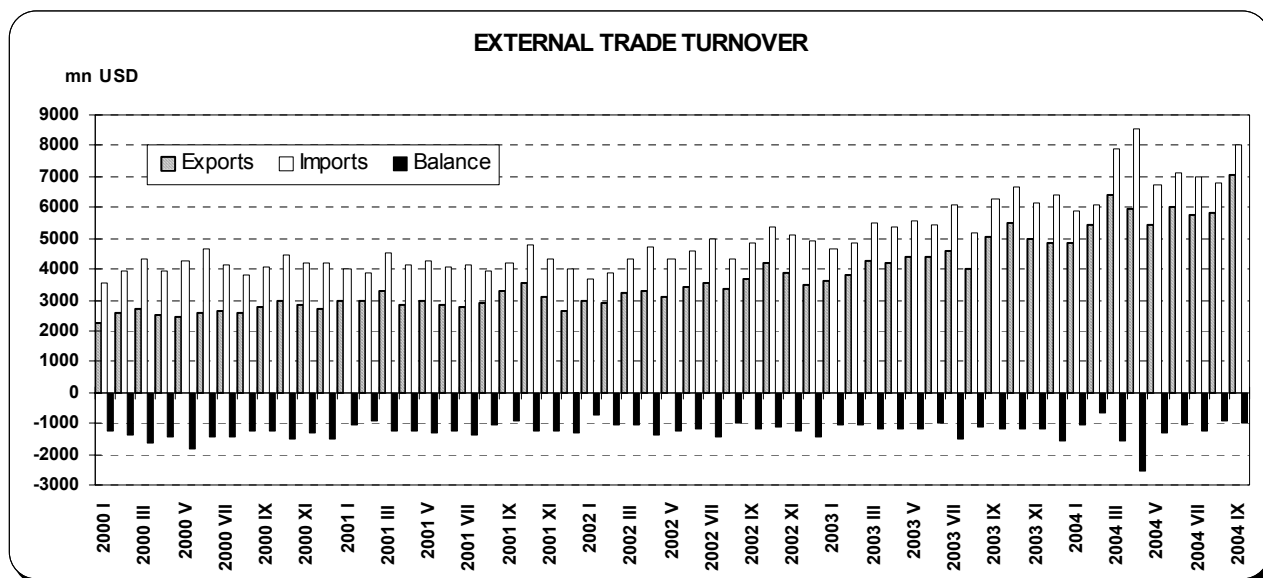
## Foreign Trade

In the period from January to September of 2004, as compared to the corresponding period of the preceding year, an increase in foreign trade turnover in annual terms was reported, with that increase being larger on the exports side. The dynamics of turnover was higher than in the corresponding period of the previous year. The most

substantial rise in exports was observed in trade with the countries of Central and Eastern Europe and with the developed countries, including the European Union, while the increase in imports was the highest in trade with the developing countries. The amount of the negative balance of trade in PLN and USD was higher than in the previous year, while

as regards trade in EUR – it improved. The balance of trade with the developing countries worsened significantly, while the negative balance of trade with the countries of Central and Eastern Europe and with the developed countries, including European Union, was lower in the previous year. As regards to

total imports, the share of imports designated for consumption purposes went down, the share of imports for intermediate consumption rose and a slight increase in the share of imports for capital goods was reported.



Exports calculated in PLN in current prices was higher by 31.7% than in the preceding year and amounted to PLN 196516.1 mn, and imports went up by 25.9% to reach PLN 239465.0 mn. Turnover in trade closed with a negative balance of PLN 42948.9 bn (in the period from January to September of the previous year – PLN minus 40932.2 mn). EUR-denominated turnover in trade rose by 22.0% on the exports side and by 16.6% on the imports side and totaled EUR 42203.0 mn and 51394.2 mn, respectively. The negative balance of trade amounted to EUR 9191.2 mn (2003 - EUR minus 9506.5 mn). USD-denominated exports totaled USD 52022.1 mn and was higher by 35.7% than in the preceding year, and imports equaled USD 63302.4 mn, i.e. increased by 29.6%. The negative balance stood at the level of USD 11280.3 mn (against USD minus 10521.6 mn in the previous year).

In the period from January to September of 2004, exports in constant prices exceeded exports in the corresponding period of 2003 by 19.3%, while imports – by 18.3%. In regard to trade with EU countries and Central and Eastern Europe countries, the volume of exports rose by 18.5% and 34.9%, respectively. The volume of goods imported from the Central and Eastern Europe countries declined by 1.4%, and from the EU countries - increased by 20.0%.

Transaction prices of exported goods were by 11.7% and imported goods - by 7.8%, higher than in the period from January to September of the preceding year. The "terms of trade" index improved from 96.4 in the previous year to 103.6 (it equaled 106.6 in trade with EU states, and 87.7 – in trade with Central and Eastern Europe countries).



Foreign trade turnover was as follows:

Specification	I-IX 2004						2003	2004
	PLN mn	EUR mn	USD mn	I-IX 2003=100			I-IX	
				PLN	EUR	USD	structure in %	
<b>EXPORTS</b> .....	<b>196516.1</b>	<b>42203.0</b>	<b>52022.1</b>	<b>131.7</b>	<b>122.0</b>	<b>135.7</b>	<b>100.0</b>	<b>100.0</b>
Developed countries .....	169210.2	36322.1	44799.9	130.7	121.1	134.8	86.8	86.1
of which European Union.....	157275.4	33745.1	41633.0	130.9	121.2	135.0	80.5	80.0
Developing countries .....	11088.2	2386.3	2931.6	129.9	120.7	133.7	5.7	5.6
Central and Eastern Europe countries.....	16217.7	3494.6	4290.6	144.2	134.3	148.6	7.5	8.3
<b>IMPORTS</b> .....	<b>239465.0</b>	<b>51394.2</b>	<b>63302.4</b>	<b>125.9</b>	<b>116.6</b>	<b>129.6</b>	<b>100.0</b>	<b>100.0</b>
Developed countries .....	182508.2	39146.2	48250.8	124.1	114.9	127.7	77.4	76.2
of which European Union.....	164240.0	35225.0	43420.2	125.1	115.8	128.8	69.0	68.6
Developing countries .....	33576.6	7214.8	8875.0	139.9	129.6	144.1	12.6	14.0
Central and Eastern Europe countries.....	23380.2	5033.2	6176.6	122.4	113.3	125.9	10.0	9.8
<b>BALANCE</b> .....	<b>-42948.9</b>	<b>-9191.2</b>	<b>-11280.3</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Developed countries .....	-13298.0	-2824.1	-3450.9	x	x	x	x	x
of which European Union.....	-6964.6	-1479.9	-1787.2	x	x	x	x	x
Developing countries .....	-22488.4	-4828.5	-5943.4	x	x	x	x	x
Central and Eastern Europe countries.....	-7162.5	-1538.6	-1886.0	x	x	x	x	x

With respect to the geographical structure of trade, on the exports side, the share of countries of Central and Eastern Europe grew, as compared to the period from January to September of 2003, while the share of developed countries, including EU countries, as well as of developing countries, went down. On the imports side, concomitant with the increasing share of developing countries were the

decreasing shares of other groups of countries. Turnover of trade with European Union countries increased on the exports side up to the level of PLN 157275.4 mn, i.e. by 30.9%, and on the imports side - by 25.1% up to the level of PLN 164240.0 mn. The amount of the negative balance of trade totaled PLN 6964.6 mn, against PLN minus 11158.6 mn in the preceding year. EUR-denominated exports turnover increased by 21.2% to EUR 33745.1 mn, and the EUR 35225.0 mn imports turnover (increase by 15.8%) was reported. The negative balance amounted to EUR 1479.9 mn, against EUR minus 2573.7 in the previous year. In the period from January to September of 2004, the share of exports to EU countries accounted for 80.0% of total value of exports, while imports from these countries – for 68.6% of total value of imports (against 80.5% and 69.0%, respectively, in 2003).

As regards trade with Poland's main trading partners, substantial growth was reported in exports

(calculated in PLN) to Russia (66.2%), Italy (49.0%), United Kingdom (42.0%) and to the Czech Republic (by 40.1%), and in imports – from the Czech Republic (by 33.3%), China (by 31.7%) and Sweden (by 31.6%).

The value of trade turnover with Germany – Poland's main trading partner – went up by 24.5% in exports, to reach the level of PLN 60219.9 mn (EUR 12924.4 mn), and in imports - by 24.7% up to PLN 57977.3 mn (EUR 12438.0 mn). Trade closed with a positive balance of PLN 2242.6 mn (EUR 486.4 mn), against a positive balance of PLN 1881.8 mn (EUR 443.9 mn) in the preceding year. The share of Germany in total trade turnover declined: from 32.4% in the previous year to 30.6% on the exports side, and from 24.4% to 24.2% on the imports side.

After nine months of 2004, Russia was ranked as the 8<sup>th</sup> largest recipient of Polish goods and as the 4<sup>th</sup> largest supplier of goods for our market (9<sup>th</sup> and 3<sup>rd</sup>, respectively in the previous year).

### **Current Account of the Balance of Payments on the Basis of Transactions**

Balance of payments on the basis of transactions<sup>7</sup> presents data concerning the financial and non-financial transactions concluded between Polish and foreign entities.

In September 2004, the current account of the balance of payments<sup>8</sup> closed with a negative balance of EUR 224 mn (EUR minus 18 mn, in 2003). The increase in the total negative amount of the balance resulted from the impairment of the balance of services, current transfers and income.

In September 2004, the balance of services amounted to EUR 15 mn (as compared to EUR 121 mn in the previous year). Credits from services stood at the level of EUR 930 mn (higher by 3.6%), while debits from services amounted to EUR 915 mn (higher by 17.8%).

Net current transfers equaled EUR 292 mn (EUR 384 mn in the preceding year). Credits from current transfers went up by 19.2% (to EUR 547 mn), while debits increased more than three times (to EUR 255 mn).

Credits from income increased by 4.6% (to EUR 137 mn), while debits – by 7.4% (to EUR 466 mn). Consequently, a negative net income dropped by EUR 26 mn (to EUR minus 329 mn).

Exports of goods rose by 16.2% (to EUR 6075 mn), and imports of goods – by 15.2% and totaled EUR 6277 mn. As a result of goods exports being higher than goods imports, balance of commodity payments improved from EUR minus 220 mn to EUR minus 202 mn.

## Financial Results of Non-Financial Enterprises

In the period from January to September of 2004, the surveyed enterprises<sup>9</sup> recorded much more favorable financial results than in the previous year. Basic financial and economic indicators were also better than in 2003 and close to those reported after six months of the 2004. The improvement of financial results in the annual terms was reported in all sections. The reported increase in financial results resulted mainly from the rate of growth of revenues from sales of products, goods and materials, which was higher than the growth of costs of this activity (17.7% against 15.4%), from the significant drop in the negative result on financial operations and from the relative decrease in encumbrances of gross financial result.

In the period from January to September of 2004, the increase in income from total activity amounted to 17.5% in annual terms, while the costs of obtaining these income – to 13.7%. The increase in net income of products, goods and materials was reported in all sections, except for education, and their share in gross financial result (96.3%) increased as compared to the period from January to September of the previous year (96.0%).

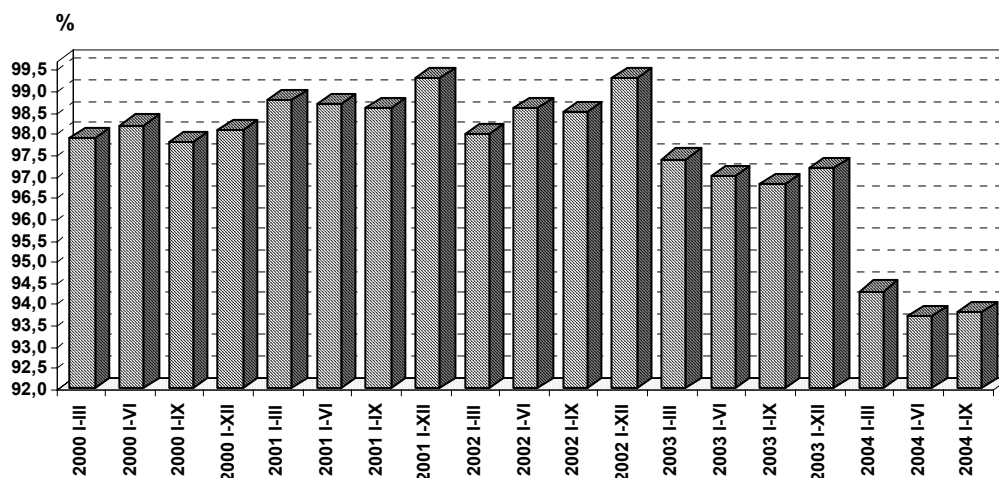
Since the dynamics of revenues was higher than the dynamics of cost of obtaining them, the financial result from the sale of products, goods and materials improved significantly in annual terms (by PLN 22676.3 mn). The financial result from the sale of products, goods and materials improved especially in manufacturing (from PLN 18591.3 mn up to the level of PLN 32193.6 mn), mining and quarrying (from PLN 422.6 mn up to the level of PLN 4027.6 mn), as well as in trade and repairs (from PLN 2408.4 mn up to the level of PLN 5568.9 mn). The result on other operating activity grew by PLN 1569.3 mn (i.e. by 99.2%). The loss on financial operations declined by PLN 8008.1 mn. Consequently, the result on economic activity was higher by PLN 32253.7 mn (i.e. by 131.2%) than in 2003. The improvement of the result on economic

activity was reported in all sections, mainly in manufacturing (by PLN 17661.8 mn).

The result on extraordinary events demonstrated an improvement from PLN 0.4 mn to PLN 1076.4 mn. As a result, the gross financial result amounted to PLN 57905.9 mn (gross profit – PLN 64313.5 mn, gross loss – PLN 6407.6 mn) and surpassed that reported in the period from January to September of the previous year by PLN 33327.9 mn (i.e. by 135.6%). The share of corporate and personal income taxes in gross profit fell from 23.8% in the period of nine months of 2003 to 16.0%. Encumbrances of gross financial results equaled PLN 11503.1 mn and were by 21.8% higher than in the period from January to September of the preceding year. As a result, net financial result stood at the level of PLN 46402.7 mn, against PLN 15133.1 mn in 2003 (net profit – PLN 52916.3 mn, net loss – PLN 6513.6 mn). Improvement of gross and net financial results was recorded in all sections, while the highest increase in the net financial result, in annual terms, in manufacturing (from PLN 10171.3 mn up to the level of PLN 27081.9 mn). A significant improvement of net financial result was also observed in following sections: transport, storage and communication, trade and repairs, as well as in mining and quarrying. Net profit was demonstrated by 73% enterprises surveyed (against 66% in the previous year) and the share they contributed to total revenues stood at 85.6% (against 77%, respectively). In manufacturing, profit was reported in 77.7% enterprises, the share of which in the revenues of this section amounted to 89.6%.

The higher dynamics of income from total activity than of cost of obtaining income was reflected in the improvement of total cost level indicator - from 96.8% in nine months of 2003 to 93.8%. The improvement of the indicator was observed in all sections.

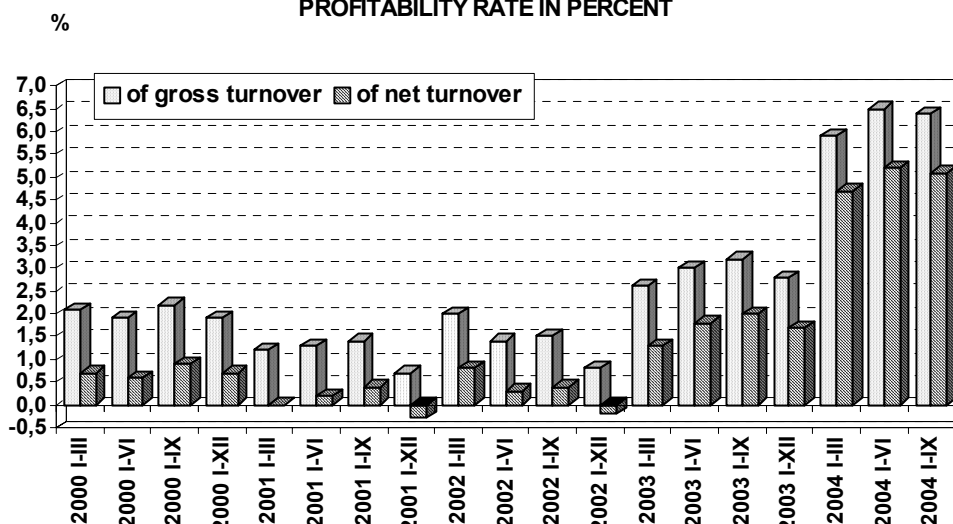
COST LEVEL INDICATOR IN PERCENT



The profitability rate of sale of products, goods and materials was at the level of 6.4%, as compared to 4.5% in the previous year. All basic sections witnessed the improvement of the rate of profitability.

The profitability rate of gross turnover was for all enterprises was much better than in 2003 (6.4%, against 3.2%).

PROFITABILITY RATE IN PERCENT



The profitability rate of net turnover for all enterprises was much more favorable than in 2003 (5.1%, against 2.0%). The rate equaled 5.7% in joint stock companies (against 2.1% in 2003), 4.7% in limited liability companies (as compared to 1.7%, respectively), 3.2% in civil law partnerships (3.4%) and 5.4% in state-owned enterprises (1.9%). As

compared to the period from January to September of the preceding year, the share of profitable entities (noted the profitability rate of net turnover equal to or higher than 0.0) grew from 67.8% up to the level of 74.8%, while their share in the revenues from total activity increased from 77.7% up to the level of 86.2%.

At the end of September of 2004, long-term and short-term liabilities (excluding special funds) amounted to PLN 408548.9 mn, that figure being slightly higher (by PLN 93.8 mn) than in the previous year. The share of long-term liabilities in total liabilities equaled 35.3% (against 36.4% in 2003).

The value of short-term liabilities of the surveyed enterprises amounted, at the end of September of 2004, to PLN 264214.0 mn, and were by 1.7% higher than in the previous year. A growth was reported in liabilities for supplies and services (by 5.2%) and in other liabilities (by 4.9%). A drop as observed in liabilities for bank credits and loans (by

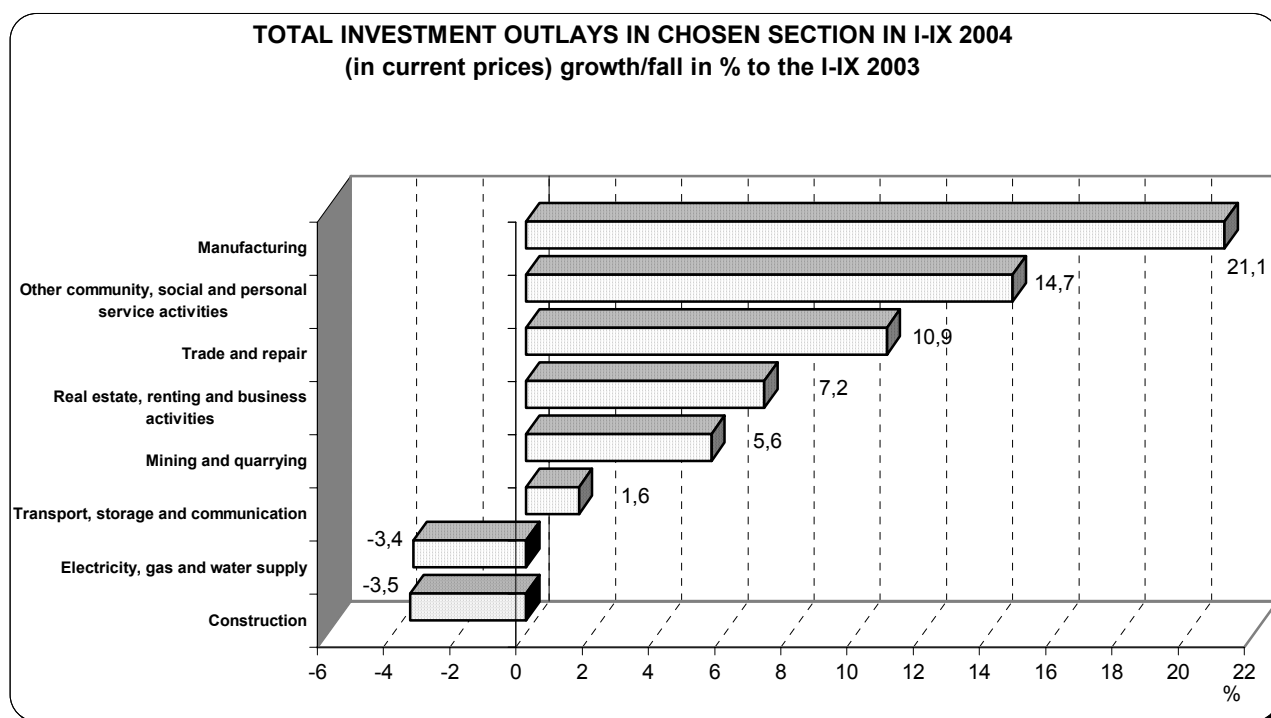
4.9%), for outstanding securities (by 9.4%) and for taxes, customs duties, social security and other benefits (by 5.3%).

At the end of September of 2004, long-term liabilities of surveyed enterprises dropped by 2.9% as compared to the previous year and amounted to PLN 144334.9 mn. A decline was reported both in liabilities for outstanding securities (by 47.0%) and liabilities for bank credits and loans (by 3.8%), while other liabilities showed an increase by 1.2%.

## Total Outlays

In the period from January to September of 2004, total outlays of enterprises<sup>10</sup> equaled PLN 39.0 mn and were (in constant prices) by 9% higher as compared to their low level in the corresponding period of the preceding year. Outlays for buildings

and structures decreased by approx. 11%, and investment purchases<sup>11</sup> – by approx. 8%. The share of purchases in total outlays amounted to approx. 66%, that figure being similar to the one reported in 2003.



The growth of total outlays (in current prices) in the period of three quarters of 2004 totaled

10.6%, which was first and foremost attributable to the investment activity of manufacturing enterprises.

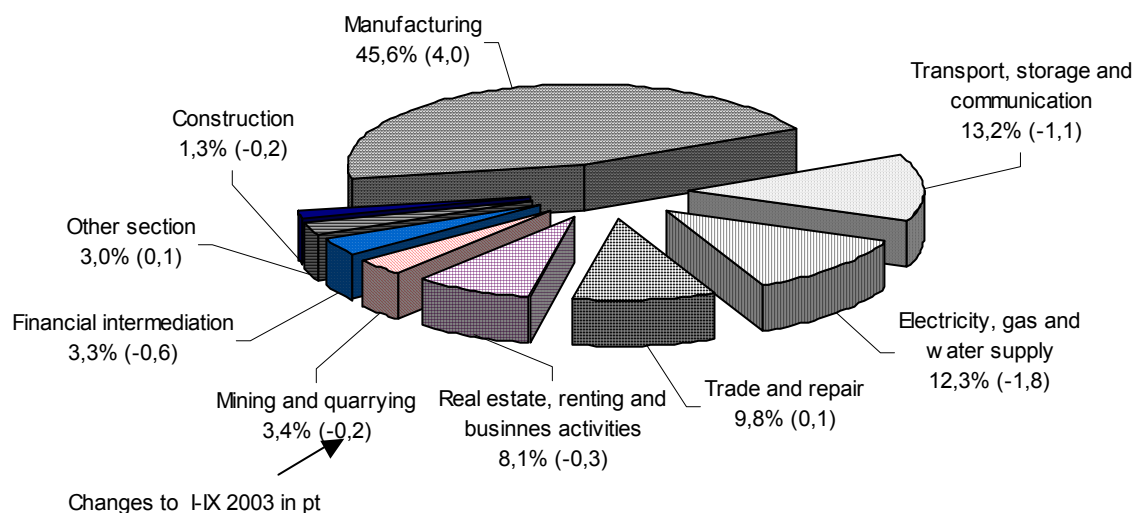
Following a drop observed since the second half of 1999, outlays these enterprises made in the period of January – September of 2004 increased by approx. 21% in annual terms. Of the highest contribution to the growth reported in this section were the increases in outlays of entities manufacturing food and beverages, other non-metallic mineral products, chemicals and chemical products, rubber and plastic products, as well as machinery and equipment n.e.c. Following an increase observed in three quarters of the previous year, the outlays in the manufacture of motor vehicles, trailers and semi-trailers, electrical machinery and apparatus n.e.c., as well as radio, television and communication equipment and apparatus declined.

A significant rise in outlays (in current prices) was observed in entities involved in trade and

repairs (by approx. 11%). Outlays in sections: mining and quarrying, transport, storage and communications went up to a smaller extent. The largest drop in outlays (in current prices) was observed in hotels and restaurants (by approx. 34%).

The share of outlays of manufacturing entities in total outlays went up from 41.6% up to the level of 45.6% and a slight increase (from 9.7% up to 9.8%) was observed in the share of outlays in the trade and repairs. The said share went down in the following sections: transport, storage and communications (drop from 14.3% to the level of 13.2%), electricity, gas and water supply (from 14.1% to 12.3%), financial intermediation (from 3.9% to 3.3%), real estate, renting and business activities (from 8.4% to 8.1%), mining and quarrying (from 3.6% to 3.4%) and construction (from 1.5% to 1.3%).

#### THE STRUCTURE OF TOTAL INVESTMENT OUTLAYS IN I-IX 2004



Out of the total value of outlays, approx. 40% (against approx. 45% in the previous year) were made by enterprises employing more than 1000 persons, which accounted for approx. 3% of investing enterprises. Total outlays of these

enterprises (in current prices) were slightly lower than in the preceding year. With the share in total amount of investing enterprises at the level of approx. 16%, enterprises employing from 250 to 1000 persons contributed approx. 33% of outlays

(against approx. 30% in the previous year). Outlays made by these enterprises rose by approx. 22%. The remaining, approx 27% of the value of outlays (approx. 25% in the preceding year) was contributed by enterprises employing from 50 to 249 persons, with, similarly to last year, an approx. 81% share in total number of investing enterprises. Outlays of the above enterprises rose by approx. 18%.

The share of outlays made by entities from the private sector in total outlays of the enterprises under survey went up from 75.8% in the period of the three quarters in the previous year to 77.3%. The largest share contributed by the private sector in total outlays was recorded in trade and repair (98.1%), manufacturing (94.6%) and construction (93.3%).

In the period from January to September of 2004, 61.3 thousand investments were commenced, i.e. by approx. 51% more than in the previous year. The total value of cost calculation of newly started investments equaled PLN 20.0 bn and was by approx. 1.3% lower than in 2003. 29.1% of the value of cost calculation of newly started investments was allocated for the modernization of existing fixed assets (against 26.9% in the preceding year).

Out of the total value of outlays made in the period from January to September of 2004, approx. 41% (against approx. 46% 2003) was made

by entities with foreign capital involvement (with foreign capital exceeding USD 1 mn). The share of outlays made by these entities decreased (in constant prices) by approx. 5% as compared to the corresponding period of the previous year. Approx. 54% of the aforementioned outlays were made by manufacturing entities, of which entities manufacturing motor vehicles, trailers and semi-trailers – approx. 20%, entities manufacturing food products and beverages – approx. 18%, entities manufacturing rubber and plastic products – approx. 9%. Out of the total value outlays made by the group of entities with foreign capital involvement, outlays on transport, storage and communication stood at approx. 17%, and outlays on trade and repairs – approx. 12%. The largest drops in outlays (in current prices) were reported in the manufacture of motor vehicles, trailers and semi-trailers (approx. 23%), wood and wood products (approx. 15%), metal products (a decrease by approx. 12% following the high rise in the previous year), as well in trade and repair (by approx. 10%). On the other hand, the manufacture of rubber and plastic products, as well as of chemicals and chemical products occurred a significant increase (by approx. 60% and approx. 44%, respectively).

## Prices

In the period of first three quarters of 2004 the average monthly growth rate of prices of consumer goods and services was higher than in 2003 (0.4% as compared with 0.1%), which was due to significant growth in the second quarter of 2004. In the third quarter, similarly as in the previous year, prices were declining on average by 0.1% per month. Prices of sold production of industry were

also rising faster than in the period of three quarters of the previous year, although their increase in the third quarter of 2004 was slower than both recorded in 2003, as well as in the first two quarters of 2004. In the construction and assembly production, after price decline in the previous year, an increase was recorded in the January-September period of 2004.

The average monthly growth rate of prices in the basic areas of the national economy was as follows:

Specification	2003						2004			
	growth rate of prices (in %) – quarters									
	I-IV	I-III	I	II	III	IV	I	II	III	I-III
Prices of sold production of industry .....	0.3	0.3	0.6	-0.3	0.5	0.4	1.0	1.1	0.1	0.7
mining and quarrying.....	0.6	0.3	-0.1	-1.5	2.5	1.5	4.1	0.7	1.1	2.0
manufacturing .....	0.3	0.3	0.8	-0.3	0.4	0.3	1.0	1.2	0.1	0.7
electricity, gas and water supply .....	0.3	0.3	0.1	0.1	0.6	0.2	0.1	0.1	0.0	0.1
Prices of construction and assembly production .....	-0.1	-0.1	-0.2	0.0	-0.1	-0.2	0.3	0.8	0.3	0.5
Prices of consumer goods and services .....	0.1	0.1	0.3	0.0	-0.1	0.4	0.3	0.9	-0.1	0.4
food and non-alcoholic beverages .....	0.2	-0.1	0.2	0.3	-0.8	0.9	0.5	1.8	-0.7	0.6
alcoholic beverages and tobacco.....	0.2	0.2	0.0	0.2	0.4	0.1	0.1	0.4	0.3	0.3
clothing and footwear .....	-0.3	-0.4	-0.7	0.0	-0.4	0.1	-0.9	0.1	-0.5	-0.4
housing.....	0.2	0.2	0.3	0.0	0.3	0.2	0.2	0.7	0.2	0.4
health .....	0.2	0.1	0.2	0.1	0.1	0.3	0.2	0.2	0.1	0.2
transport .....	0.2	0.3	1.5	-1.2	0.6	0.1	1.2	1.3	0.4	1.0
communication .....	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
recreation and culture .....	0.1	0.2	0.5	0.0	0.1	-0.1	0.0	0.4	0.0	0.1
education.....	0.2	0.0	0.1	0.0	0.1	0.5	0.1	0.1	0.1	0.1

The increase in prices of sold production of industry in the period of first three quarters of 2004 was much higher than in the previous year (6.6%, against 2.5%). Prices increased the most in mining and quarrying (by 19.0%, against 2.5%). The price growth in manufacturing in the period from January to September amounted to 6.7% (as compared with 2.6% in the previous year). In the electricity, gas and water supply section, prices increased by 0.6% (against 2.8% in 2003).

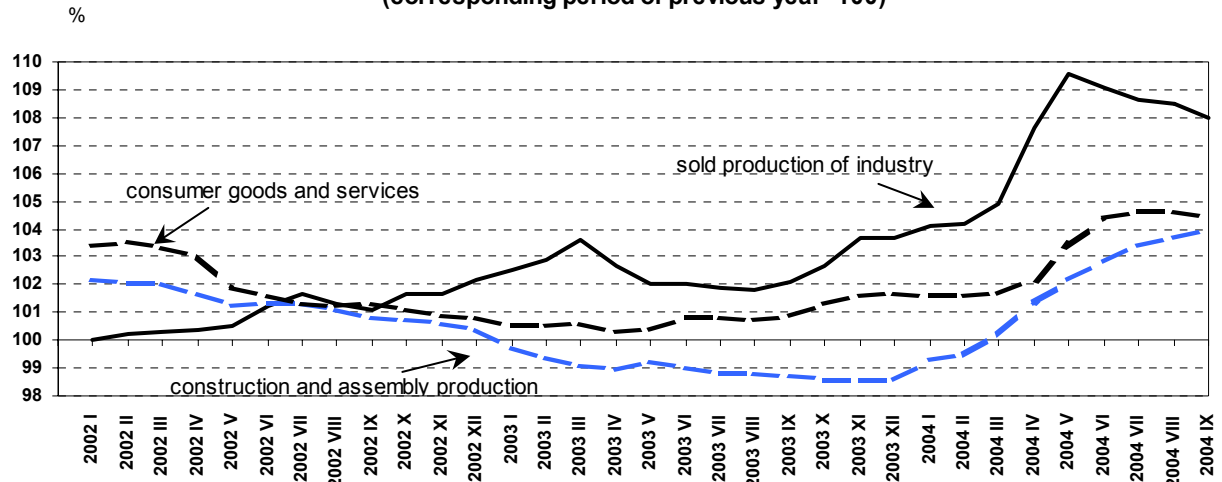
Prices of construction and assembly production went up by 4.4% in the period January to September (while in the previous year a 1.1% decline was observed). Site preparation prices increased by 5.5%, prices of renting of construction or demolition equipment with operator – by 5.0%, those of building constructions; civil engineering – by 4.0%, building installation – by 3.7% and building completion – by 3.3%.

In the period from January to September, prices of consumer goods and services were also

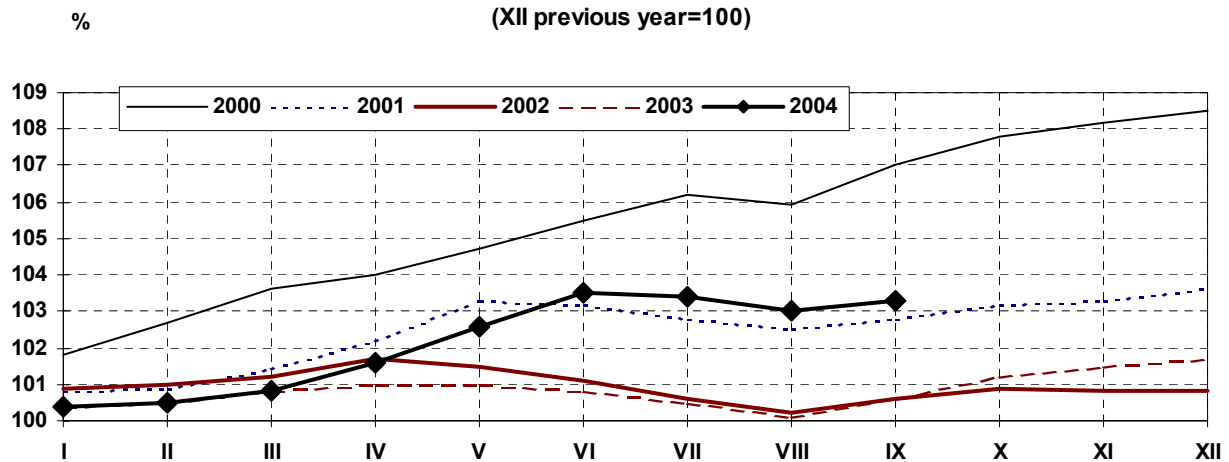
rising much faster than in the previous year (3.3%, against 0.6%), which was caused mainly by the acceleration of growth of food prices and prices connected with transport. Housing prices also increased more than in the previous year. Prices of clothing and footwear were still declining, a drop was also observed in communications prices. In the period of first three quarters of 2004 the level of the consumer price index was most affected by the growth in prices of food and non-alcoholic beverages, which have pushed the total price index up by 1.4 pt. The rises of prices relating to housing and transport increased the total index by 0.9 pt and 0.7 pt, respectively.



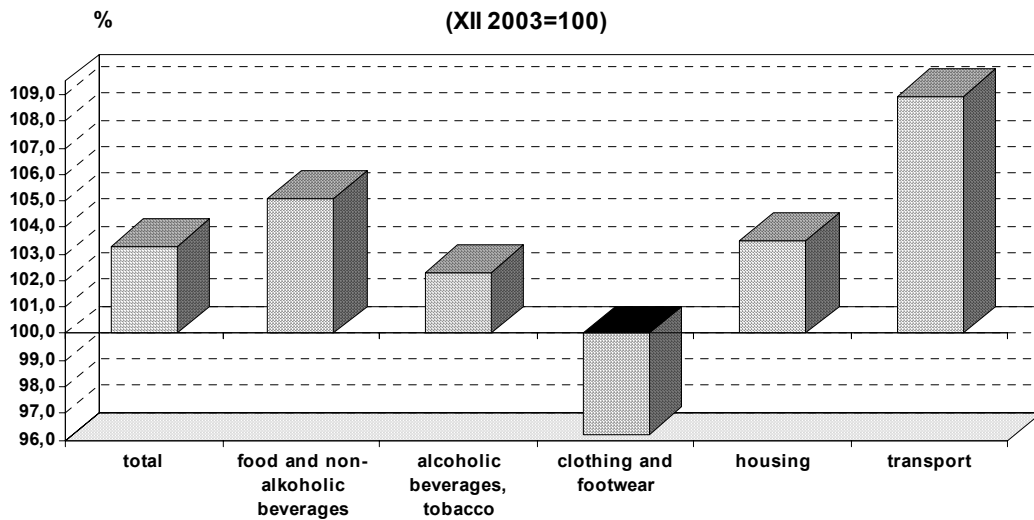
**PRICE INDICES**  
(corresponding period of previous year=100)



**PRICE INDICES OF CONSUMER GOODS AND SERVICES**  
(XII previous year=100)



**PRICES OF CONSUMER GOODS AND SERVICES IN SEPTEMBER 2004**  
(XII 2003=100)



Prices of food and non-alcoholic beverages increased by 5.1% in the January-September period of 2004 (as compared with a 0.8% decline in the previous year). The highest rises since the beginning of the year took place in the "sugar, jam, honey, chocolate and confectionery" group (25.8% growth, of which 71.7% in sugar prices). As a result of price increases observed in the March-July period, meat prices also rose considerably in the analysed period (by 14.7%), with the largest increase observed in prices of beef – by 38.7% and pork prices – by 20.8%. A considerable increase in prices of oils and fats also took place (8.3%) – particularly in prices of butter (by 12.6%). Bread and cereal product prices grew by 5.8%, with rice prices rising significantly (by 38.2%). Non-alcoholic beverages went up in price by 2.0% in the first three quarters of 2004.

In the period of January-September of 2004, prices of alcoholic beverages and tobacco went up by 2.3% (as compared with 1.8% in the corresponding period of the previous year), as a result of an increase in prices of tobacco products (by 7.0%) with a decrease in prices of alcoholic beverages (by 0.6%).

Prices of clothing and footwear declined since the beginning of the year by 3.8% (as compared with 3.6% in 2003), with a deeper drop in prices of footwear (5.6%), than clothing (3.1%).

The increase in prices of goods and services related to housing in the period of three quarters of 2004 was higher than in the previous year (3.5%, against 2.0%). The growth in prices in this group was also significantly affected by rises in prices of materials for the maintenance and repair of the dwelling – by 14.3%. Rentals fees (including cold water charges) went up by 3.2% and electricity, gas and other fuels – by 1.4%.

Prices of goods and services associated with health care increased by 1.4% over the nine months of 2004 (against 1.1% in 2003).

Prices in transport rose much more faster in the period of January-September, than in 2003 (8.9%, against 2.7%), mainly as a result of a large increase in prices of fuels for personal transport equipment (by 15.7%, against 4.2%). Motor cars cost 3.8% more than in the same period of the last year.

Fees in education were 0.7% higher in the period of January-September of 2004, than in the previous year.

## **Wages and Salaries and Social Benefits**

In the period from January to September of 2004, the dynamics of the purchasing power of wages and salaries was higher than in 2003, however, in the third quarter of 2004, real gross wages and salaries in the enterprise sector declined year-on-year, whereas in the first half of 2004 they had increased. In the period of nine months of 2004 average real retirement pays and pensions from the non-agricultural social security system also increased slightly year-on-year, while those of individual farmers – decreased slightly, as compared with their sizeable increase in the preceding year.

The average monthly gross wage and salary in the enterprise sector in the first three quarters of 2004 reached 2401.82 PLN and was 4.7% higher than in the

previous year. An above-average increase in wages and salaries was observed in mining and quarrying (8.8%), electricity, gas and water supply (5.4%, manufacturing (5.1%) and construction (4.9%), with below-average increases in, among others, hotels and restaurants (1.4%), as well as real estate, renting and business activities (1.8%). Among the manufacturing divisions with significant share in employment, average gross wages and salaries increased the most in manufacture of motor vehicles, trailers and semi-trailers (by 9.5%), machinery and equipment (by 6.7%) and manufacture of other non-metallic mineral products (6.2%), with smallest increases – in manufacture of food products and beverages

(by 3.3%), rubber and plastics products, as well as chemicals and chemical products (3.7% each).

The average real gross wage and salary in the enterprise sector in the first three quarters of 2004 was 1.7% higher than in the corresponding period of 2003 (with a 1.6% increase in the previous year).

The average monthly retirement pay and pension from the non-agricultural social security system in the January-September period of 2004 was equal to 1135.96 PLN and was 4.5% higher than in 2003, while its purchasing power increased by 1.0% (with a 1.0% decline in the real value of retirement pays and pensions in the third quarter).

The average monthly retirement pay and pension of individual farmers amounted to 745.56 PLN in the first three quarters of 2004 and was 3.0% higher than in the corresponding period of the previous year, while its purchasing power declined by 0.5% (a decline of 1.3% and 2.4% took place in the second and the third quarter, respectively).

The average total number of retirees and pensioners in the period from January to September of 2004 was equal to 9216.4 thous. persons and increased slightly year-on-year. Retirement pays and pensions from the non-agricultural social security system were being collected by 7499.6 thous. persons, i.e. 0.7% more than in the previous year, and from the agricultural system – 1716.8 thous. persons (by 2.5% fewer than in 2003).

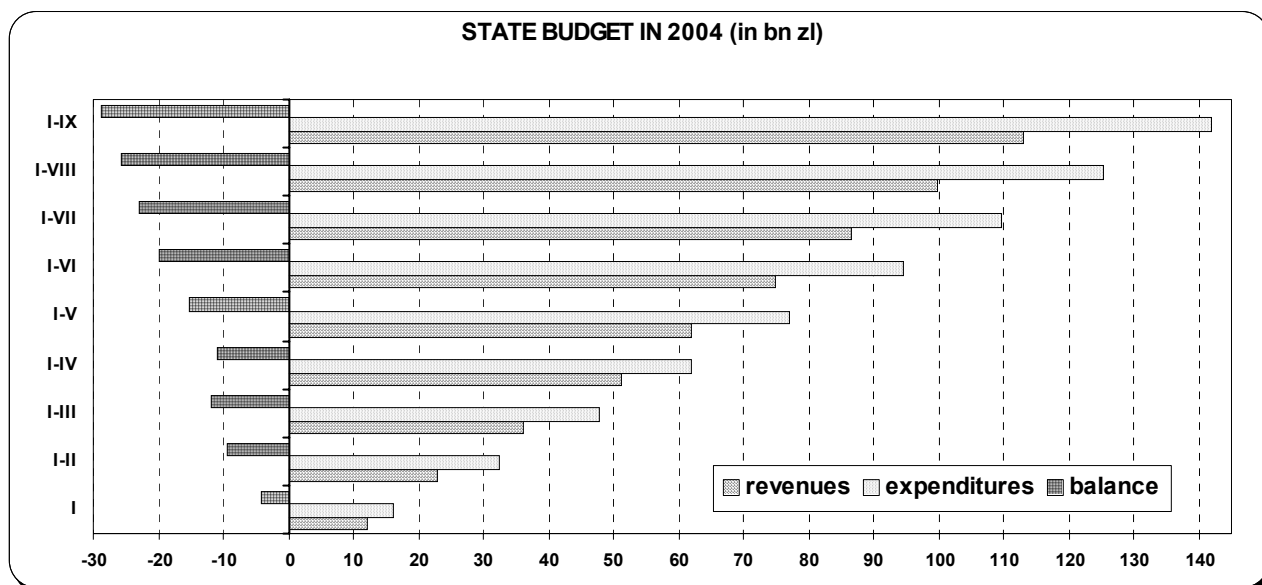
The gross total of unemployment benefits (excluding of social security contributions) amounted to 1995.2 mn PLN in the first nine months of 2004 and was 7.7% lower than in the corresponding period of 2003.

Pre-retirement benefits and allowances paid out in the first three quarters of 2004 amounted to 4364.4 mn PLN, i.e. 17.6% more than in the period from January to September of 2003.

## State Budget

In the period from January to September of 2004, revenues of the state budget<sup>12</sup> amounted to PLN 113 107.6 mn, expenditure – PLN 141 948.5 mn, while the deficit – PLN 28 840.9 mn. The progress of realisation of the budget act continued to

be more advanced on the revenue, than the expenditure side. After nine months of 2004, budget revenues were 3.5% higher than in 2003, while expenditure declined by 0.3%.



The following state budget revenue and expenditure figures were recorded:

Specification	Budget act for 2004	I-IX 2004				I-IX 2003
		execution	execution of budget act	I-IX 2003=100	structure	
						in PLN mn
Total revenues.....	154 552.6	113 107.6	73.2	103.5	100.0	100.0
indirect taxes .....	103 676.7	73 569.8	71.0	106.4	65.1	63.3
income tax from legal persons .....	9 585.9	8 847.7	92.3	99.8	7.8	8.1
income tax from natural persons.....	22 059.8	14 676.6	66.5	84.8	13.0	15.8
revenue of state budgetary units.....	13 491.3	10 337.7	76.6	127.9	9.1	7.4
of which revenues from customs duties .....	1 924.0	1 964.9	102.1	74.0	1.7	2.4
other revenues .....	5 738.9	5 675.8	99.0	96.0	5.0	5.4
of which receipts from profit of National Bank of Poland .....	4 212.7	4 056.8	96.3	86.7	3.6	4.3
Total expenditure.....	199 851.9	141 948.5	71.0	99.7	100.0	100.0
of which:						
service o national debt .....	19 429.6	11 665.6	60.0	83.7	8.2	9.8
service of foreign debt.....	5 601.0	3 541.0	63.2	118.7	2.5	2.1
allocations for:						
Pension Fund .....	15 065.7	11 382.4	75.6	101.7	8.0	7.9
Social Insurance Fund .....	21 836.4	20 136.2	92.2	84.4	14.2	16.8
Labour Fund.....	1 144.0	904.0	79.0	22.9	0.6	2.8
general subsidies for local self-government units.....	30 804.2	25 483.0	82.7	97.8	18.0	18.3
State budget deficit.....	45 299.3	28 840.9	63.7	87.2	x	X
Financing of deficit						
national sources .....	43 039.9	25 694.2	59.7	75.8	x	X
foreign sources.....	2 259.3	3 146.7	139.3	x	x	X

Realisation of budget revenues was 3.0 pt higher than in the preceding year, while that of expenditure – 2.2 pt lower.

In the period from January to August, current expenditure of budgetary units was 6.1% higher than

in the previous year, while its share in total amount of expenditure increased from 17.1% to 18.2%.

## Money

The stock of money amounted to PLN 352118.2 mn at the end of the third quarter of 2004 and was PLN 12069.3 mn (3.5%) higher than at the end of December of 2003 and PLN 21224.4 mn (6.4%) higher than in 2003.

Net foreign assets were the main money creation factor in the first three quarters of the year. Their value reached PLN 150901.7 mn, having risen

by 11.0% since the end of 2003 and compared to September of the preceding year – by 13.1%.

Dues were the second most significant factor contributing to an increase in money supply in the first nine months of this year. At the end of September of 2004, they amounted to PLN 270487.4 mn and were 2.4% higher than at the end of the previous year, with dues from households increasing by 10.4%. Meanwhile, dues from social

insurance funds declined by 16.8%, from non-commercial institutions serving households – by 6.5%, from non-monetary financial institutions – by 4.3%, from enterprises – by 2.1% and from local government institutions – by 1.8%

Net indebtedness of central level government institutions was a factor negatively affecting the growth of money supply. At the end of September of 2004, it amounted to PLN 65377.8 mn and was 6.8% lower than at the end of December in the preceding year and 12.2% lower year-on-year.

The balance of other (net) at the end of September amounted to minus PLN 134648.7 mn, with its negative value increasing by 3.4% since the end of 2003 and by 1.7% since the end of September of 2003.

The increase in money stock in the first nine months of 2004 was largely affected by the increase in deposits and other liabilities by PLN 8799.5 mn (3.1%), of which deposits and other liabilities of local government institutions increased by 49.6%, of social insurance funds – by 35.1%, of enterprises – by 12.1% and of non-commercial institutions serving households – by 4.5%. Meanwhile, deposits and other liabilities of non-monetary financial institutions declined by 6.7%, while those of households – by 2.1%.

## The Stock Exchange

At the end of September, the Warsaw Stock Exchange indices – WIG, WIG-20 and WIRR – signalling the situation on the stock market, were at levels higher than observed in the previous year. Over the first three quarters of 2004, the highest volume of trade was recorded on the future contracts and share markets. The volume of trade in bonds declined.

In the period from January to September, the volume of trade in shares in all trading systems amounted to 73686.1 mn PLN, i.e. 37.6% more than

The stocks of cash in circulation (except for bank counters) increased by 1.1% compared to December of last year and were 2.7% higher than in the previous year. Other components of  $M_3$  increased by 120.1% since the end of 2003 and by 26.8% compared to September of 2003.

Over the three quarters of 2004, basic interest rates of the NBP, namely the rediscount rate for bills of exchange and the rate of lombard, had been raised twice, from 5.75% to 7.0% annually and from 6.75% to 8.0%, respectively.

The average official exchange rate of the USD in the first nine months of 2004 amounted to 378.02 PLN/100 USD (a 2.8% decline compared to the average for the January-September period of 2003). In September of 2004, the average monthly official exchange rate of the USD amounted to 358.27 PLN/100 USD (5.4% less than in December of 2003 and 10.0% less than in the previous year).

The average official exchange rate of the euro in the first nine months of 2004 amounted to 463.27 PLN/100 EUR and was 7.2% higher than in the corresponding period of 2003. In September of 2004, the average monthly official exchange rate of the euro amounted to 437.64 PLN/100 EUR, i.e. 6.0% less than in December of the preceding year and 2.0% less than in 2003.

in the corresponding period of the previous year. The value of trade in shares in the continuous trading system amounted to 69529.0 mn PLN, in the block trade system – 3960.0 mn PLN and in the single-price quotation (two auction) system – 197.1 mn PLN.

Trade in allotment certificate<sup>13</sup> in the continuous trading system in the analysed period amounted to 610.2 mn PLN (almost a six-fold year-on-year increase).

In the first three quarters of 2004, a significant increase in trade in subscription rights<sup>14</sup> was

recorded. This trade, in the continuous trading system, amounted to 75.3 mn PLN (almost 14 times increase, compared to the corresponding period of the previous year).

Over the first nine months of 2004, trade in investment certificates<sup>15</sup> amounted to 16.4 mn PLN (an 80.0% year-on-year decline) and trade in warrants<sup>16</sup> – 9.1 mn PLN (a decline of 21.6%, respectively).

In the period from January to September, trade in future contracts<sup>17</sup> was 29.7% higher than trade in shares and amounted to 95597.9 mn PLN (i.e. 21.6% more than in 2003).

Trade in index units<sup>18</sup> amounted to 14.2 mn PLN in the analysed period, i.e. 51.9% less than in the previous year.

Trade in subscription warrants<sup>19</sup> in the continuous trading system amounted to 64.3 mn PLN (a 35.9% increase over the first three quarters of the previous year).

Trade in index options<sup>20</sup> amounted to 34.1 mn PLN in the January –September period (a 16-fold year-on-year increase).

At the end of September of 2004, all stock market indices were at higher levels than in the preceding year and close to the levels observed at

the end of the second quarter of 2004. The index WIG grouping the largest companies increased by 30.7% and 5.5%, respectively, while the index of the smallest companies – WIRR – by 97.6% and 17.1%. In the group of sector indices, the highest year-on-year increases were recorded for WIG-BUDOW (55.4%) index of construction companies and WIG-SPOŻYW (33.9%) index of food companies.

The newest stock exchange index – WIG-PL<sup>21</sup>, reached the level of 25169.3 pt at the end of September of 2004 (a 5.1% increase compared to the end of Q2 of 2004).

In the period from January to September of 2004, total trade in bonds in all trading systems amounted to 5299.3 mn PLN and accounted for 7.2% of the total volume of trade in shares (in the previous year – for 12.8%). The volume of trade on the bond market was 22.6% lower than in the preceding year. Treasury bonds accounted for 97.7% of all trade and in the continuous trading system the volume of trade was 21.4% higher than in the previous year, while in the block trade system, a decline of around 11 times was recorded.

In the period of three quarters of 2004, the volume of trade in corporate bonds amounted to 124.5 mn PLN (an increase of more than 12 times).

## Arrivals to and Departures from Poland

According to Border Guard figures, in the first three quarters of 2004, 146.9 mn persons crossed the Polish border<sup>22</sup> entering and leaving Poland, i.e. 8.6% more than in the corresponding period of 2003 (in the first nine months of the previous year, a respective decline of 8.1% was recorded). The number of border crossings by foreigners arriving and departing Poland increased by 19.5% and accounted for 61.5% of all crossings (in the preceding year – 55.9%).

The largest volume of border crossings was observed on Poland's Western border, crossed by

66.6 mn persons in the three quarters of 2004, i.e. 25.0% more than in the previous year (against 1.3% decline in the first three quarters of 2003). The share of crossings on that border in the total number of crossings amounted to 45.3% (against 39.4%).

A slight increase in the number of crossings was observed on the Southern border. It was crossed by 53 mn persons, i.e. 0.5% more than in the previous year (in the corresponding period of 2003, a 17.3% decline took place). Crossings of this border accounted for 36% of the total number. There were 40.0 mn persons (3.6% fewer) crossing the

border with the Czech Republic, constituting 75.5% of crossings on the Southern border. Meanwhile, 12.9 mn persons crossed the border with Slovakia (15.9% more).

The number of crossings of Poland's Eastern border declined. In the first nine months of 2004, 20.0 mn crossings took place there, 6.7% fewer than in the previous year (against 1.6% in the corresponding period of 2003). The largest decline was recorded on the border with Belarus, crossed by 5.9 mn persons, i.e. 17.5% fewer than in 2003. The number of persons crossing borders with Ukraine also decreased, to 8.5 mn (i.e. 7.6% fewer). The border with Russia was crossed by 2.6 mn persons, (i.e. 4.3% more). The number of crossings

on the border with Lithuania also increased, reaching 2.9 mn, (i.e. 16.7% more).

There were 5.0 mn crossings registered in airports (27.8% more than in the previous year), of which at the Okęcie airport – 3.7 mn (18.4% more). Crossings at Okęcie airport constituted 72.8% of all taking place in Polish airports.

Another 2.3 mn persons were registered as crossing the border in Poland's seaports, a 39.8% decline (in the first three quarters of 2003 a respective increase of 4.0% was recorded). From this number, 1.6 mn persons used the border crossings in Nowe Warpno and Świnoujście (44.7% fewer), accounting for 68.7% of all marine crossings of the Polish border.

In the first three quarters of 2004, 45.7 mn foreigners crossed the border entering Poland, i.e. 19.4% more than in 2003 (in the corresponding period of 2003, an 0.5% increase took place). Citizens of neighbouring countries accounted for 93.7% of all arrivals to Poland (in the preceding year – 93.1%, respectively). Among those arriving, German citizens constituted the largest group (24.9 mn persons, i.e. 54.5% of all foreigners arriving), as the number of their arrivals was 35.8% higher than in the previous year (in 2003, a 2.7% increase took place, respectively). The number of crossing by Czech citizens arriving to Poland was 6.9 mn (12.5% more than in the previous year) and by Slovak citizens – 2.9 mn (67.3% more).

Out of Poland's Eastern neighbours, Ukrainian citizens were the most frequent visitors, with 3.4 mn crossings (16.4% fewer than in the preceding year) followed by Belarussians – 2.6 mn (14.9% fewer). There were 1.1 mn visitors from Russia, constituting a 13.4% decline. The number of arrivals from Lithuania declined slightly (by 2.0%) and amounted to 1.0 mn.

The number of crossings by Poles going abroad declined, albeit less than in the previous year. In the first three quarters of 2004 it amounted to 28.7 mn, i.e. 6.0% fewer than in the corresponding period of the previous year (in 2003 a decline amounted 16.3%).

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<sup>1</sup> Excluding procurement conducted by individuals.

<sup>2</sup> The division into 5 main industrial groupings (MIG) is a result of implementation of Commission Regulation (EC) 586/2001 from March 26, 2001 implementing Council Regulation (EC) No 1165/98 concerning short-term statistics.

<sup>3</sup> Survey data – subject to change after processing of quarterly reports.

<sup>4</sup> The significant decline in the size of effects of dwellings recorded of 2004 compared to 2003 is caused by a significant number of dwellings reported as completed last year, when in connection with the planned amendments to the *Law on construction* (from July 2003), many investors completed the legal formalities associated with completion of construction.

<sup>5</sup> Covering revenues from transport of payload, luggage, post, reloading, freight forwarding, storage and warehousing of payload and other services associated with servicing of transport, as well as revenues from activity of travel agents and tour guides.

<sup>6</sup> Standard telephone main lines (subscribers of fixed line telephone services) plus the number of ISDN telephone lines.

<sup>7</sup> The balance of payments is a statistical specification of turnover with foreign countries that, in respect of a specified period, in a systematic manner presents economic transactions concluded by Poland and the rest of the world (i.e., between residents and non-residents). The balance of payments is presented as composed of the current account, capital and financial account, net errors and omissions and official reserve assets.

The prevailing part of the balance of payments' turnover is derived from an closed-end system of collecting data on transactions settled by the Polish banking system. Banks forward to the National Bank of Poland (NBP) information on their transactions as well as on transactions made on behalf of banks' clients. Data coming from banks are supplemented to include information coming directly from enterprises, surveys of public statistics and from the Institute of Tourism.



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<sup>8</sup> Based on the reports by NBP (National Bank of Poland): „Balance of Payments of the Republic of Poland”.

<sup>9</sup> Data cover to economic entities keeping accounting books (except for results of enterprises of following sectors: agriculture, hunting and forestry, fishing and fishery, financial intermediation, as well as tertiary education university level institutions) and employing 50 and more persons.

<sup>10</sup> Data refer to economic entities (regardless of the kind of activity) maintaining accounting records and employing 50 and more persons.

<sup>11</sup> Machinery, installations and tools, equipment and means of transport.

<sup>12</sup> Prepared based on information from the Finance Ministry: “Sprawozdanie operatywne z wykonania budżetu państwa za okres styczeń–wrzesień 2004 r.”

<sup>13</sup> An allotment certificate is a security subject to trading, received after paying a defined monetary amount for shares of a new issue which are not yet listed on the stock exchange. The allotment certificate is exchanged for the shares after they have been introduced to trading.

<sup>14</sup> A subscription right is a priority right applicable to existing shareholders for assuming shares of new issues. Shareholders can resign from exercising rights and sell them on the stock exchange. The trading of subscription rights occurs on the same system of listings in which the shares of a given company are listed.

<sup>15</sup> An investment certificates are bearer securities issued by closed investment funds. Certificates of a given fund represent equal property rights and are indivisible.

<sup>16</sup> A warrant is financial instruments, the price of which depends on the value of the so-called base instrument. The base instrument can be security, currency or economic ratio (e.g., index, interest rate). A warrant is an unconditional and irrevocable obligation of the issuer to repay the settlement amount to the authorized owners of the warrants.

<sup>17</sup> A futures contract is an agreement between parties, in which one party is obligated to buy and the other to sell within a strictly defined date (the expiration date), and for a strictly defined price, established at the time of concluding the contract, for a defined amount of a standardized base instrument or making an equivalent monetary settlement.

<sup>18</sup> An index unit is a security that represents all shares forming the index. This instrument is equivalent to purchasing an investment portfolio by the investor with no obligation to buy separate shares of this index.

<sup>19</sup> A subscription warrant is a security giving its owner the priority to purchase share of a given company, for defined beforehand price and within defined date. Quotations of subscription warrants are held in the same quotation scheme as shares of the given company.

<sup>20</sup> An index option is a security giving its owner the right to buy or sell, within future date and for defined beforehand price (the strike price), a specific amount of a base instrument for a given option. The base instrument could be e.g., index or shares of specific companies.

<sup>21</sup> WIG-PL – a sector sub-index, calculated according to the same methodology as the WIG index, includes income from dividends and pre-emptive rights, calculated based on a portfolio of shares in domestic listed companies. The historical values of the WIG index are at the same time historical values of the WIG-PL index.

<sup>22</sup> The Border Guard study registers border crossings, meaning that several border crossings by the same person are treated as several persons.